

Schwab Money Funds

Semiannual Report

June 30, 2004

Schwab Money Market Fund™

Schwab Government
Money Fund™

Schwab U.S. Treasury
Money Fund™

Schwab Value Advantage
Money Fund®

charles SCHWAB

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Schwab Money Market Fund

Ticker Symbol: **SWMXX**

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Schwab Government Money Fund

Ticker Symbol: **SWGXX**

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Ticker Symbol: **SWUXX**

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Schwab Value Advantage Money Fund

Investor Shares: **SWVXX**

Select Shares®: **SWBXX**

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From the Chairman



Charles R. Schwab
Chairman

When I founded Schwab 30 years ago, our goal was to offer investors the highest quality brokerage services at the lowest possible price.

As the company evolved and our client base grew, we continued to offer products and services that were aligned with this vision. Whether it was on-line trading, a mutual fund supermarket, or specific funds that take advantage of new tax laws, we have a history of offering innovative products and services that are based on your investment needs.

Today, we continue to build on this heritage. More specifically, as we conceptualize, develop and analyze new products, we consistently question how our shareholders will benefit. We also research the ways in which the products are delivered, so we can continue to provide the products and services that will help you meet your financial goals. On the next page, Randy Merk, president of SchwabFunds®, elaborates on how some products may help to reduce your fund expenses.

On behalf of SchwabFunds®, I thank you for investing with us, and remind you that our commitment to our shareholders will never waver.

Sincerely,

A handwritten signature in black ink that reads "Charles R. Schwab". The signature is written in a cursive, flowing style.

Management's Discussion for the six months ended June 30, 2004



Randall W. Merk is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

To elaborate on Chuck Schwab's letter on the previous page, we not only listen to our shareholders' requests, we also try to anticipate your investing needs. Because we know that fees and expenses can reduce your mutual fund returns, we consistently look for ways that we can offer you a better value.

One way we can help you is by offering lower-priced share classes for some of the more popular SchwabFunds. Select Shares® and Value Advantage Shares™ are share classes that offer lower expense levels in exchange for higher investment minimums. I like to compare it to buying name-brand products in bulk from a warehouse-type store, rather than purchasing smaller quantities from the corner market. It's the same product but is less expensive when you can buy in bulk.

Our Value Advantage Shares, for example, are available for many of our money funds if you initially invest \$25,000 or more. The expense levels on these types of shares can be lower than what the Sweep Shares for the same fund carry.

This is why I encourage you to review your accounts to see if you are eligible to purchase these money-saving shares. If you would like to learn more about these potentially cost-saving shares, as well as which of our stock and bond funds offer Select Shares, our investment consultants are available to assist you.

Thank you for investing with us.

Sincerely,

Randall W. Merk



Linda Klingman, a vice president of the investment adviser and senior portfolio manager, has overall responsibility for the management of the Money Market and Value Advantage Money funds. She joined the firm in 1990 and has managed money market funds since 1988.

Mike Neitzke, a portfolio manager, has day-to-day responsibility for management of the Money Market and Value Advantage Money funds. Prior to joining the firm in March 2001, he worked for more than 15 years in the financial services industry as a portfolio manager.



Karen Wiggan, a vice president of the investment adviser and senior portfolio manager, has been responsible for day-to-day management of the Government Money and U.S. Treasury Money funds since 1999. She joined the firm in 1987 and has worked in fixed-income portfolio management since 1991.

The Investment Environment and the Funds

The encouraging economic climate that was reported in late 2003 continued to improve into 2004. Businesses added to their inventories, factory orders rose amid the pick-up in capital spending and production gained some strength. Retail sales continued to rise, despite a pause in the upward trend in consumer confidence. Mortgage refinancing activity, while still significant, waned as mortgage rates inched slightly upward. The only big piece missing was job growth, which remained sluggish through the beginning of first quarter.

Amid this benign inflationary environment, the Federal Reserve (the Fed) elected to hold the Fed funds rate at a 45-year low in March to provide liquidity necessary to maintain economic growth. Job growth picked up strongly in March and continued into the second quarter. With the economic recovery now broad-based, investors, who only a year ago feared deflation, now started to worry about inflation.

Inflationary concerns were based on surging oil prices, which hit a 13-year high amid tight supplies. And while commodity prices moderated somewhat during the report period, previous increases started to show up in broad measures of inflation. Labor costs also were beginning to rise.

Most market watchers expected the Fed to raise interest rates, and it did at the end of June. At that time the Federal Open Market Committee increased the Fed funds target 0.25% to 1.25%, the first rate hike since May 2000, when the Fed funds target was raised to 6.50%. In anticipation of higher rates, the money market yield curve in the second quarter was the steepest that it's been in 10 years.

In this rate environment, we increased the funds' holdings of variable-rate securities. The interest rates on these types of securities reset frequently, providing us the opportunity to capture a rise in market rates. We also shortened the weighted average maturity to position the funds for higher interest rates, a strategy that was fairly common among our peers.

Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/04

Seven-Day Yields¹

The seven-day yields are calculated using standard SEC formulas. The effective yield includes the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate.

	Money Market Fund	Government Money Fund	U.S. Treasury Money Fund	Value Advantage Money Fund		
				Investor Shares	Select Shares	Institutional Shares
Seven-Day Yield ¹	0.49%	0.43%	0.42%	0.78%	0.88%	0.99%
Seven-Day Yield–No Waiver ²	0.45%	0.35%	0.25%	0.66%	0.66%	0.66%
Seven-Day Effective Yield ¹	0.49%	0.43%	0.42%	0.78%	0.88%	0.99%

The performance data quoted represents past performance. Past performance does not guarantee future results. Current performance may be lower or higher than performance data quoted. To obtain more current performance information, please visit www.schwab.com/schwabfunds.

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

	Money Market Fund	Government Money Fund	U.S. Treasury Money Fund	Value Advantage Money Fund
Weighted Average Maturity	51 days	50 days	61 days	51 days
Credit Quality of Holdings	100% Tier 1	100% Tier 1	100% Tier 1	100% Tier 1

% of portfolio

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

Portfolio holdings may have changed since the report date.
¹ Fund expenses have been partially absorbed by CSIM and Schwab.
² Yield if fund expenses had not been partially absorbed by CSIM and Schwab.

Schwab Money Market Fund™

Financial Statements

Financial Highlights

	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.01	0.04	0.06	0.05
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.01)	(0.04)	(0.06)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.19 ²	0.50	1.23	3.73	5.84	4.64
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.75 ³	0.75	0.75	0.75	0.76 ⁴	0.75
Gross operating expenses	0.78 ³	0.78	0.78	0.79	0.81	0.84
Net investment income	0.38 ³	0.50	1.22	3.63	5.70	4.56
Net assets, end of period (\$ x 1,000,000)	47,953	49,079	51,063	49,116	41,823	36,099

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratio of net operating expenses would have been 0.75% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of June 30, 2004; unaudited

This section shows all the securities in the fund's portfolio and their value, as of the report date.

We use the symbols below to designate certain characteristics:

- ◆ Asset-backed security
- ✦ Credit-enhanced security
- Illiquid restricted security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Value (\$x1,000)
73.2% Fixed-Rate Obligations	35,103,130	35,103,130
1.2% U.S. Government Securities	590,000	590,000
14.5% Variable-Rate Obligations	6,938,774	6,938,774
11.0% Other Investments	5,263,740	5,263,740
99.9% Total Investments	47,895,644	47,895,644
0.1% Other Assets and Liabilities		57,742
100.0% Total Net Assets		47,953,386

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Fixed-Rate Obligations 73.2% of net assets**Commercial Paper & Other Corporate Obligations**
39.8%**AB Spintab**

1.06%, 07/02/04	95,000	94,997
1.04%, 07/07/04	50,000	49,991

Alliance & Leicester, PLC, Section 4(2) / 144A

1.09%, 07/22/04	10,000	9,994
1.25%, 08/19/04	50,000	49,915
1.51%, 09/24/04	60,000	59,787

◆ Alpine Securitization Corp., Section 4(2) / 144A

1.20%, 08/02/04	17,000	16,982
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◆ Amstel Funding Corp., Section 4(2) / 144A

1.20%, 08/16/04	100,000	99,847
1.23%, 08/16/04	43,903	43,834

◆ Amsterdam Funding Corp., Section 4(2) / 144A

1.08%, 07/06/04	70,000	69,990
1.21%, 07/28/04	25,000	24,977
1.25%, 07/29/04	150,000	149,854

◆ Aquinas Funding, L.L.C., Section 4(2) / 144A

1.18%, 08/10/04	50,000	49,934
1.25%, 08/23/04	50,000	49,908
1.40%, 09/08/04	60,000	59,840
1.51%, 09/15/04	30,000	29,905

◆ ASAP Funding, Ltd., Section 4(2) / 144A

1.11%, 07/01/04	22,502	22,502
1.16%, 07/08/04	30,000	29,993
1.16%, 07/12/04	100,000	99,965
1.17%, 07/15/04	50,000	49,977
1.15%, 07/21/04	52,000	51,967
1.15%, 07/23/04	48,000	47,966
1.27%, 07/28/04	48,000	47,954
1.27%, 07/30/04	16,000	15,984

◆ Atlantic Asset Securitization Corp., Section 4(2) / 144A

1.05%, 07/01/04	14,394	14,394
1.26%, 07/26/04	18,000	17,984
1.50%, 09/20/04	40,000	39,865

◆ Atlantis One Funding Corp., Section 4(2) / 144A

1.05%, 07/07/04	49,000	48,991
1.05%, 07/23/04	11,000	10,993
1.22%, 08/02/04	111,210	111,089
1.22%, 08/17/04	229,406	229,041
1.36%, 08/19/04	62,216	62,101

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.27%, 09/01/04	63,229	63,091	1.30%, 08/10/04	14,000	13,980
1.50%, 09/02/04	16,500	16,457	Citigroup Global Markets Holdings, Inc.		
1.48%, 09/17/04	216,511	215,821	1.04%, 07/09/04	136,000	135,969
1.08%, 09/20/04	100,000	99,759	1.04%, 07/15/04	100,000	99,960
1.08%, 09/21/04	11,185	11,158	1.09%, 07/16/04	216,000	215,902
1.08%, 09/22/04	120,000	119,704	1.10%, 07/21/04	60,000	59,963
1.09%, 09/23/04	20,000	19,950	1.10%, 07/27/04	138,000	137,890
Bank of America Corp.			1.10%, 07/28/04	190,000	189,843
1.06%, 07/07/04	425,000	424,925	◆◆ Clipper Receivables Corp., Section 4(2) / 144A		
1.06%, 07/08/04	120,000	119,975	1.07%, 07/06/04	60,000	59,991
Bank of Ireland, Section 4(2) / 144A			1.11%, 07/12/04	55,000	54,981
1.26%, 08/10/04	19,000	18,973	1.11%, 07/14/04	100,000	99,960
◆◆ Barton Capital Corp., Section 4(2) / 144A			1.10%, 07/21/04	50,000	49,969
1.10%, 07/19/04	59,728	59,695	◆◆ Concord Minutemen Capital Co., Section 3c7 / 144A		
1.10%, 07/20/04	50,107	50,078	Series A		
1.11%, 07/20/04	21,000	20,988	1.08%, 07/07/04	30,000	29,995
1.10%, 07/23/04	68,551	68,505	1.08%, 07/08/04	24,000	23,995
1.25%, 08/24/04	12,492	12,469	1.11%, 07/13/04	20,000	19,993
Bear Stearns Companies, Inc.			1.09%, 08/10/04	6,000	5,993
1.04%, 07/09/04	50,000	49,988	1.11%, 08/10/04	52,214	52,150
1.05%, 07/14/04	50,000	49,981	1.22%, 08/16/04	99,000	98,846
1.04%, 07/21/04	200,000	199,884	1.20%, 08/17/04	48,000	47,925
◆◆ Beta Finance, Inc., Section 3c7 / 144A			1.20%, 08/18/04	100,477	100,316
1.05%, 07/01/04	38,000	38,000	1.24%, 08/18/04	25,127	25,085
1.13%, 07/19/04	58,000	57,967	1.51%, 09/22/04	27,530	27,435
1.25%, 07/29/04	70,000	69,932	1.57%, 10/04/04	73,000	72,699
1.23%, 08/16/04	39,000	38,939	◆◆ Crown Point Capital Co., L.L.C., Section 4(2) / 144A		
1.50%, 09/20/04	37,000	36,876	1.15%, 07/08/04	120,000	119,973
1.50%, 09/23/04	16,000	15,944	1.08%, 07/09/04	15,041	15,037
◆ CC (USA), Inc., Section 3c7 / 144A			1.07%, 08/04/04	21,300	21,279
1.05%, 07/01/04	20,000	20,000	1.25%, 08/17/04	100,300	100,136
1.05%, 07/15/04	43,000	42,982	1.28%, 08/17/04	132,381	132,160
1.24%, 08/09/04	60,000	60,000	1.10%, 10/08/04	10,000	9,970
1.10%, 08/23/04	24,500	24,461	◆ Dakota CP Notes of Citibank Credit Card Issuance		
1.24%, 08/25/04	48,975	48,882	Trust, Section 4(2) / 144A		
1.24%, 08/26/04	56,025	55,917	1.10%, 07/08/04	90,000	89,981
1.27%, 09/01/04	22,000	21,952	1.09%, 07/09/04	149,000	148,964
1.51%, 09/15/04	51,000	50,839	1.10%, 07/12/04	25,000	24,992
1.51%, 09/24/04	22,000	21,922	1.10%, 07/13/04	259,000	258,905
1.52%, 09/27/04	20,000	19,926	1.11%, 07/15/04	118,000	117,949
1.58%, 10/01/04	10,000	9,960	1.28%, 07/28/04	100,000	99,904
1.58%, 11/17/04	50,000	49,985	1.28%, 07/30/04	93,000	92,904
Citicorp			1.30%, 08/03/04	100,000	99,881
1.15%, 07/09/04	95,000	94,976	1.24%, 08/09/04	59,000	58,921
1.15%, 07/14/04	140,000	139,942	1.30%, 09/02/04	25,000	24,943
1.34%, 08/03/04	50,000	49,939	1.52%, 09/21/04	93,000	92,680
			1.54%, 09/27/04	90,000	89,663

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ Danske Corp.			1.22%, 08/17/04	35,000	34,944
1.10%, 09/01/04	100,000	99,812	1.35%, 08/19/04	125,000	124,770
1.08%, 09/28/04	36,075	35,980	1.36%, 08/20/04	50,000	49,906
DnB NOR Bank ASA			1.25%, 08/23/04	130,366	130,126
1.05%, 07/06/04	19,200	19,197	1.25%, 08/24/04	50,000	49,906
1.24%, 08/30/04	60,000	59,876	General Electric Capital Corp.		
◆ Dorada Finance, Inc., Section 3c7 / 144A			1.10%, 07/15/04	100,000	99,957
1.05%, 07/01/04	20,000	20,000	1.10%, 07/16/04	240,000	239,890
1.05%, 07/15/04	39,000	38,984	1.10%, 07/19/04	60,000	59,967
1.23%, 08/16/04	83,000	82,870	1.04%, 07/22/04	24,000	23,985
1.25%, 08/26/04	44,500	44,413	1.22%, 08/05/04	78,000	77,907
1.25%, 08/27/04	41,000	40,919	1.33%, 09/09/04	612,000	610,429
1.29%, 09/02/04	30,000	29,932	1.48%, 09/16/04	218,000	217,315
◆◆ Edison Asset Securitization Corp., L.L.C., Section 4(2) / 144A			1.50%, 09/23/04	150,000	149,479
1.13%, 07/22/04	100,000	99,934	1.56%, 10/01/04	47,000	46,814
1.22%, 08/05/04	74,000	73,912	General Electric Capital Services		
1.29%, 09/02/04	150,000	149,661	1.13%, 07/14/04	25,000	24,990
◆◆ Eiffel Funding, L.L.C., Section 4(2) / 144A			1.13%, 07/15/04	25,000	24,989
1.12%, 07/19/04	22,000	21,988	1.04%, 07/16/04	60,000	59,974
1.34%, 08/05/04	20,000	19,974	1.13%, 07/16/04	60,000	59,972
1.18%, 08/11/04	25,000	24,966	1.22%, 08/06/04	298,000	297,636
1.18%, 08/12/04	25,000	24,966	1.48%, 09/17/04	185,000	184,411
1.38%, 08/26/04	40,000	39,914	◆ Giro Funding U.S. Corp., Section 4(2) / 144A		
1.37%, 08/27/04	50,000	49,892	1.07%, 07/08/04	197,000	196,959
1.27%, 09/02/04	12,000	11,973	1.09%, 07/08/04	26,000	25,994
1.49%, 09/07/04	8,000	7,978	1.11%, 07/15/04	10,000	9,996
1.50%, 09/20/04	50,000	49,832	1.27%, 07/29/04	10,000	9,990
◆◆ Fairway Finance Co., L.L.C., Section 4(2) / 144A			1.25%, 08/06/04	51,000	50,936
1.07%, 07/02/04	36,978	36,977	1.33%, 08/09/04	90,000	89,871
1.15%, 07/13/04	40,000	39,985	1.51%, 09/13/04	61,860	61,669
1.05%, 07/22/04	7,900	7,895	1.51%, 09/15/04	185,000	184,414
1.09%, 09/22/04	35,627	35,538	◆◆ Grampian Funding, L.L.C., Section 4(2) / 144A		
1.54%, 09/23/04	7,618	7,591	1.05%, 07/21/04	120,000	119,930
1.10%, 09/29/04	11,000	10,970	◆◆ Greyhawk Funding, L.L.C., Section 4(2) / 144A		
1.90%, 12/30/04	8,000	7,924	1.10%, 07/09/04	14,000	13,997
◆◆ Falcon Asset Securitization Corp., Section 4(2) / 144A			1.10%, 07/12/04	80,000	79,973
1.32%, 07/30/04	56,000	55,940	1.10%, 07/14/04	108,000	107,957
◆ Galaxy Funding, Inc., Section 4(2) / 144A			1.10%, 07/16/04	12,000	11,995
1.07%, 07/13/04	20,000	19,993	1.13%, 07/23/04	58,000	57,960
1.10%, 07/13/04	70,000	69,974	1.27%, 07/30/04	192,000	191,804
1.15%, 07/22/04	50,000	49,966	1.51%, 09/21/04	58,000	57,802
1.15%, 07/23/04	30,000	29,979	1.54%, 09/27/04	11,000	10,959
1.25%, 07/29/04	100,000	99,903	+ HBOS Treasury Services, PLC		
1.27%, 07/30/04	15,000	14,985	1.04%, 07/08/04	100,000	99,980
			1.11%, 07/14/04	62,565	62,540
			1.11%, 07/22/04	9,200	9,194
			1.10%, 08/19/04	20,000	19,970

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
HSBC U.S.A., Inc.			◆ Newcastle Certificates Program, Section 4(2) / 144A		
1.04%, 07/09/04	100,000	99,977	Series 2000A		
1.04%, 07/13/04	60,000	59,979	1.09%, 07/12/04	45,000	44,985
◆ ING (U.S.) Funding, L.L.C.			1.10%, 07/13/04	40,000	39,985
1.11%, 09/01/04	56,000	55,893	1.10%, 07/16/04	49,000	48,978
1.28%, 10/06/04	20,000	19,932	1.34%, 08/16/04	86,520	86,372
◆◆ Jupiter Securitization Corp., Section 4(2) / 144A			1.23%, 08/18/04	44,000	43,928
1.06%, 07/01/04	50,000	50,000	1.34%, 08/18/04	50,000	49,911
1.51%, 09/20/04	18,143	18,082	1.23%, 08/20/04	23,000	22,961
◆◆ Kitty Hawk Funding Corp., Section 4(2) / 144A			1.35%, 08/20/04	25,000	24,953
1.23%, 08/16/04	37,847	37,788	1.53%, 09/24/04	28,000	27,899
1.50%, 09/20/04	18,239	18,178	◆◆ Nieuw Amsterdam Receivables Corp.,		
Landesbank Baden-Wurtemberg			Section 4(2) / 144A		
1.22%, 08/25/04	75,000	74,860	1.07%, 07/02/04	56,000	55,998
◆◆ Lexington Parker Capital Co., L.L.C.,			1.26%, 07/30/04	155,091	154,934
Section 4(2) / 144A			1.23%, 08/24/04	29,099	29,045
1.11%, 07/07/04	174,519	174,487	◆ Nordea North America, Inc.		
1.05%, 07/20/04	10,000	9,994	1.38%, 08/27/04	88,000	87,808
1.11%, 07/22/04	36,000	35,977	1.08%, 09/24/04	60,000	59,848
1.15%, 07/26/04	60,000	59,953	◆◆ Old Line Funding L.L.C., Section 4(2) / 144A		
1.16%, 07/26/04	38,000	37,970	1.30%, 08/02/04	45,077	45,025
1.11%, 09/01/04	274,000	273,480	1.23%, 08/04/04	20,095	20,072
1.27%, 09/08/04	150,000	149,635	1.31%, 08/04/04	82,398	82,296
1.51%, 09/15/04	16,000	15,949	1.32%, 08/04/04	63,712	63,633
1.31%, 11/04/04	10,000	9,955	◆ Park Granada, L.L.C., Section 4(2) / 144A		
1.50%, 11/09/04	30,000	29,837	1.11%, 07/09/04	10,000	9,998
◆◆ Links Finance, L.L.C., Section 3c7 / 144A			1.05%, 07/13/04	10,000	9,997
1.10%, 08/19/04	14,000	13,979	1.05%, 07/15/04	25,000	24,990
◆ Mane Funding Corp., Section 4(2) / 144A			◆◆ Preferred Receivables Funding Corp.,		
1.09%, 07/12/04	26,000	25,991	Section 4(2) / 144A		
1.11%, 07/13/04	55,777	55,756	1.08%, 07/06/04	70,000	69,990
1.10%, 07/22/04	32,333	32,312	1.28%, 08/11/04	44,000	43,936
1.11%, 07/22/04	52,000	51,966	◆◆ Receivables Capital Corp., Section 4(2) / 144A		
1.20%, 08/17/04	54,330	54,245	1.29%, 09/01/04	70,954	70,796
1.23%, 08/23/04	13,000	12,976	◆ Santander Central Hispano Finance (Delaware), Inc.		
◆◆ Mont Blanc Capital Corp., Section 4(2) / 144A			1.33%, 09/10/04	75,000	74,805
1.10%, 07/14/04	44,000	43,983	◆◆ Scaldis Capital Ltd., Section 4(2) / 144A		
1.22%, 08/19/04	124,755	124,548	1.20%, 08/16/04	27,516	27,474
1.23%, 08/23/04	25,000	24,955	1.22%, 08/20/04	79,000	78,866
Morgan Stanley			1.25%, 08/25/04	28,803	28,748
1.14%, 07/06/04	250,000	249,960	1.25%, 08/26/04	15,978	15,947
1.30%, 08/09/04	147,000	146,793	1.29%, 09/02/04	61,444	61,305
◆ National Australia Funding (Delaware), Inc.			1.08%, 09/10/04	20,138	20,096
1.25%, 07/29/04	250,000	249,757	1.51%, 09/13/04	101,427	101,114
			1.53%, 09/15/04	140,000	139,551

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.51%, 09/21/04	17,997	17,936	1.56%, 09/27/04	15,061	15,004
1.08%, 09/22/04	15,000	14,963	1.56%, 09/30/04	39,156	39,003
1.10%, 09/27/04	31,000	30,917	◆+ Windmill Funding Corp., Section 4(2) / 144A		
1.54%, 09/27/04	91,000	90,660	1.12%, 07/14/04	100,000	99,960
1.56%, 09/30/04	62,949	62,702	1.26%, 07/28/04	70,000	69,934
◆+ Sigma Finance, Inc., Section 3c7 / 144A			◆+ Yorktown Capital, L.L.C., Section 4(2) / 144A		
1.05%, 07/26/04	30,000	29,978	1.49%, 09/14/04	13,000	12,960
1.08%, 08/17/04	30,000	29,958			19,076,584
1.10%, 08/20/04	25,000	24,962	Certificates of Deposit 30.8%		
1.09%, 09/07/04	36,500	36,426	◆+ Abbey National Treasury Services, PLC		
1.10%, 09/21/04	30,000	29,926	1.29%, 09/07/04	50,000	50,000
1.50%, 09/24/04	70,000	69,997	1.33%, 09/10/04	146,000	146,000
+ Stadshypotek Delaware, Inc., Section 4(2) / 144A			ABN-AMRO Bank, NV		
1.50%, 09/23/04	50,000	49,826	1.10%, 07/21/04	253,000	253,000
Svenska Handelsbanken, Inc.			1.09%, 09/07/04	80,000	80,000
1.08%, 09/17/04	27,100	27,037	Alliance & Leicester, PLC		
◆+ Thunder Bay Funding, L.L.C., Section 4(2) / 144A			1.09%, 08/24/04	73,000	73,000
1.06%, 07/01/04	60,093	60,093	ANZ National Bank Ltd.		
1.07%, 07/12/04	66,932	66,910	1.04%, 07/29/04	100,000	100,000
1.12%, 07/12/04	44,951	44,936	Banco Bilbao Vizcaya Argentaria S.A.		
1.10%, 07/13/04	39,452	39,438	1.10%, 07/20/04	345,000	345,000
1.10%, 07/15/04	35,935	35,920	1.11%, 07/23/04	135,000	135,000
1.31%, 08/04/04	45,118	45,062	Banco Santander Central Hispano S.A.		
◆+ Ticonderoga Funding, L.L.C., Section 4(2) / 144A			1.53%, 09/28/04	410,000	410,000
1.12%, 07/12/04	28,041	28,031	Bank of Nova Scotia		
1.25%, 08/23/04	35,112	35,047	1.30%, 09/15/04	200,000	199,915
1.25%, 08/24/04	70,227	70,095	Barclays Bank, PLC		
1.26%, 08/25/04	140,453	140,183	1.10%, 07/22/04	23,000	23,002
Toronto Dominion Holdings			1.05%, 07/26/04	120,000	120,000
1.31%, 08/13/04	196,000	195,693	1.18%, 08/13/04	100,000	100,000
1.28%, 08/16/04	47,500	47,422	1.25%, 08/13/04	217,000	216,981
◆+ Triple-A One Funding Corp., Section 4(2) / 144A			1.35%, 08/26/04	150,000	149,998
1.09%, 07/12/04	9,827	9,824	1.09%, 10/01/04	180,000	180,001
◆+ Tulip Funding Corp., Section 4(2) / 144A			Bayerische Landesbank Girozentrale		
1.30%, 08/05/04	77,107	77,010	1.50%, 05/06/05	250,000	249,968
+ Westpac Capital Corp.			1.71%, 05/23/05	68,000	67,991
1.08%, 08/10/04	13,075	13,059	BNP Paribas		
1.07%, 08/11/04	100,000	99,879	1.05%, 07/12/04	185,000	185,000
◆ White Pine Finance, L.L.C., Section 3c7 / 144A			1.09%, 07/14/04	50,000	50,000
1.10%, 07/12/04	12,186	12,182	1.10%, 07/23/04	110,000	110,000
1.10%, 07/23/04	16,465	16,454	1.05%, 08/03/04	387,000	387,000
1.30%, 08/02/04	7,609	7,600	1.50%, 11/19/04	150,000	150,000
1.23%, 08/23/04	38,000	37,931			
1.32%, 09/07/04	8,100	8,080			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Calyon			HSB Nordbank, AG		
1.11%, 09/08/04	150,000	150,000	1.42%, 09/07/04	92,000	91,998
1.14%, 09/13/04	135,000	135,000	1.42%, 10/29/04	42,000	41,999
Canadian Imperial Bank of Commerce			1.51%, 04/18/05	16,000	16,000
1.22%, 08/06/04	45,000	45,000	1.61%, 05/20/05	99,000	98,982
Citibank, N.A.			ING Bank, NV		
1.22%, 08/23/04	125,000	125,000	1.07%, 07/01/04	385,000	385,000
1.22%, 08/24/04	100,000	100,000	KBC Bank, NV		
1.23%, 08/25/04	270,000	270,000	1.33%, 09/15/04	133,000	133,001
1.29%, 09/07/04	210,000	210,000	Landesbank Baden-Wurttemberg		
1.49%, 09/20/04	70,000	70,000	1.04%, 07/19/04	15,000	15,000
1.49%, 09/24/04	75,000	75,000	Landesbank Hessen-Thuringen Girozentrale		
Credit Suisse First Boston			1.35%, 08/26/04	39,000	39,000
1.04%, 07/02/04	204,000	204,000	1.41%, 09/07/04	91,000	91,000
1.06%, 08/04/04	123,000	123,000	1.11%, 09/21/04	90,000	90,000
DePfa Bank, PLC			1.10%, 10/06/04	60,000	60,000
1.05%, 07/19/04	15,000	15,000	Lloyds TSB Bank, PLC		
1.05%, 07/22/04	30,000	30,000	1.21%, 07/26/04	200,000	199,980
1.13%, 09/07/04	72,000	72,000	1.50%, 09/27/04	50,000	50,000
Deutsche Bank, AG			National Australia Bank, Ltd.		
1.05%, 07/08/04	50,000	50,001	1.10%, 07/20/04	140,000	140,000
1.11%, 07/22/04	300,000	300,000	Nationwide Building Society		
1.40%, 09/03/04	173,000	173,000	1.50%, 09/24/04	93,000	93,000
1.41%, 10/15/04	400,000	400,000	1.47%, 10/19/04	100,000	99,922
1.42%, 10/27/04	165,000	165,000	Norddeutsche Landesbank Girozentrale		
1.60%, 05/20/05	200,000	200,000	1.04%, 07/19/04	60,000	60,000
Dexia Bank Belgium			1.40%, 08/05/04	27,000	27,000
1.36%, 08/24/04	305,000	305,000	1.51%, 05/13/05	150,000	149,974
1.50%, 05/04/05	120,000	119,985	1.63%, 05/16/05	33,000	32,996
DnB NOR Bank ASA			1.60%, 05/20/05	33,000	33,000
1.10%, 08/17/04	46,000	46,000	Nordea Bank Finland, PLC		
First Tennessee Bank, N.A.			1.04%, 07/26/04	225,000	225,000
1.19%, 08/05/04	18,000	17,998	1.04%, 07/30/04	15,000	15,000
1.34%, 08/20/04	77,000	77,000	1.38%, 09/14/04	302,000	302,000
ForeningsSparbanken AB (Swedbank)			1.47%, 09/17/04	50,000	50,000
1.22%, 08/04/04	17,000	17,001	Rabobank Nederland		
Fortis Bank			1.37%, 08/26/04	38,000	37,996
1.05%, 07/02/04	50,000	50,000	Royal Bank of Scotland, PLC		
+ HBOS Treasury Services, PLC			1.04%, 07/23/04	13,000	13,000
1.04%, 07/19/04	70,000	70,000	1.35%, 08/26/04	100,000	99,999
1.10%, 08/25/04	109,000	109,000	1.40%, 09/07/04	115,000	114,998
1.23%, 08/26/04	100,000	100,000	1.51%, 11/19/04	155,000	154,994
1.42%, 08/31/04	60,000	59,984	1.75%, 05/27/05	246,000	245,967
1.29%, 09/07/04	30,000	30,000	2.17%, 07/01/05	145,000	144,964
1.50%, 09/24/04	40,000	40,000			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
San Paolo IMI SpA		
1.11%, 09/08/04	85,000	85,000
Societe Generale		
1.04%, 07/19/04	50,000	50,000
1.33%, 09/10/04	300,000	300,000
1.38%, 09/14/04	388,000	388,000
1.09%, 10/05/04	115,000	115,000
Southtrust Bank		
1.05%, 07/12/04	100,000	100,000
Svenska Handelsbanken AB		
1.10%, 07/20/04	72,000	71,999
UBS, AG		
1.32%, 08/04/04	71,000	71,000
1.38%, 08/26/04	90,000	89,999
1.42%, 11/12/04	100,000	99,998
1.40%, 04/04/05	100,000	99,989
1.86%, 06/07/05	150,000	149,972
Unicredito Italiano SpA		
1.10%, 07/23/04	280,000	280,000
1.10%, 07/26/04	59,000	59,000
1.10%, 07/29/04	47,000	47,000
1.28%, 09/03/04	350,000	350,003
1.36%, 09/10/04	90,000	90,000
1.54%, 09/28/04	69,000	69,000
1.55%, 09/30/04	32,000	32,000
Washington Mutual Bank, FA		
1.10%, 07/13/04	199,000	199,000
1.56%, 10/01/04	185,000	185,000
Wells Fargo Bank, N.A.		
1.10%, 07/09/04	65,000	65,000
1.18%, 07/28/04	340,000	340,000
1.27%, 07/30/04	200,000	200,000
WestLB AG		
1.11%, 07/14/04	90,000	90,000
Wilmington Trust Co.		
1.28%, 09/03/04	48,000	47,991
		14,762,546
Bank Notes 0.9%		
Bank of America, N.A.		
1.04%, 07/20/04	140,000	140,000
Lasalle National Bank, N.A.		
1.09%, 09/02/04	55,000	55,000

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Standard Federal Bank, N.A.		
1.09%, 07/09/04	114,000	114,000
1.09%, 08/19/04	119,000	119,000
		428,000
Promissory Notes 1.7%		
• The Goldman Sachs Group, Inc.		
1.25%, 07/06/04	236,000	236,000
1.25%, 07/16/04	150,000	150,000
1.28%, 08/26/04	100,000	100,000
1.45%, 08/27/04	67,000	67,000
1.27%, 10/06/04	13,000	13,000
1.31%, 11/02/04	50,000	50,000
1.33%, 11/08/04	30,000	30,000
1.24%, 12/17/04	190,000	190,000
		836,000
U.S. Government Securities 1.2% of net assets		
Coupon Notes 1.2%		
Fannie Mae		
1.43%, 02/09/05	295,000	295,000
1.35%, 04/28/05	70,000	70,000
1.50%, 05/09/05	125,000	125,000
1.61%, 05/13/05	100,000	100,000
		590,000
Variable-Rate Obligations 14.5% of net assets		
+ ABAG Financial Authority for Nonprofit Corps., California		
RB (Public Pole Institute) Series 2002B		
1.38%, 07/07/04	17,870	17,870
+ Albuquerque, New Mexico Airport		
RB Series 2000B		
1.42%, 07/07/04	16,200	16,200
Bank of New York Co., Inc., 144A		
1.34%, 07/27/04	75,000	75,000
Barclays Bank, PLC		
1.16%, 07/15/04	585,000	584,768
1.23%, 07/26/04	50,000	49,986

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Bayerische Landesbank Girozentrale			◆◆ Links Finance L.L.C., Section 3c7 / 144A		
1.16%, 07/13/04	47,000	46,999	1.07%, 07/01/04	100,000	99,995
1.28%, 07/29/04	50,000	49,997	1.23%, 07/20/04	100,000	99,981
BNP Paribas			◆◆ Links Finance, L.L.C., Section 4(2) / 144A		
1.20%, 07/22/04	400,000	399,820	1.14%, 07/12/04	40,000	39,999
✦ Brooks County, Georgia Development Authority			Lloyds TSB Bank, PLC		
RB (Langboard, Inc. Project)			1.11%, 07/13/04	50,000	49,994
1.30%, 07/07/04	10,000	10,000	✦ Loanstar Assets Partners II, L.P.		
Canadian Imperial Bank of Commerce			1.16%, 07/07/04	45,000	45,000
1.29%, 07/15/04	100,000	100,000	✦ Lowndes Corp., Georgia, 144A		
✦ CFM International, Inc., 144A			Taxable Demand Bond Series 1997		
1.30%, 07/02/04	23,045	23,045	1.32%, 07/07/04	4,350	4,350
Chase Manhattan Bank (USA)			✦ Merlot Trust Section 4(2) / 144A		
1.14%, 07/12/04	150,000	150,000	Series 2000B		
◆ Dorada Finance, Inc., Section 3c7 / 144A			1.52%, 07/07/04	32,630	32,630
1.42%, 09/10/04	99,000	99,044	Series 2001A67		
Fannie Mae			1.52%, 07/07/04	35,065	35,065
0.98%, 07/06/04	195,000	194,840	Series 2001A7		
1.21%, 07/29/04	280,000	279,845	1.52%, 07/07/04	15,470	15,470
Federal Home Loan Bank			Merrill Lynch & Co, Inc.		
1.05%, 07/06/04	250,000	249,841	1.06%, 07/01/04	100,000	100,000
1.24%, 08/06/04	40,275	40,275	• Metropolitan Life Insurance Co.		
✦ GE Life & Annuity Assurance Co.			1.16%, 07/30/04	50,000	50,000
1.20%, 07/01/04	150,000	150,000	1.26%, 08/02/04	100,000	100,000
1.24%, 08/02/04	50,000	50,000	• Monumental Life Insurance Co.		
General Electric Capital Corp.			1.28%, 07/01/04	100,000	100,000
1.25%, 07/09/04	175,000	175,000	✦ New Jersey Economic Development Authority		
1.36%, 07/19/04	75,000	75,000	Adjustable Rate Lease Revenue		
1.65%, 09/15/04	40,000	40,054	Taxable Bonds (Barnes & Noble, Inc.		
✦ Grand Prairie, Texas Sports Facility			Distribution & Freight Consolidation		
Development Corp.			Center Project) Series 1995A		
Sales Tax Revenue Refunding Taxable Bonds			1.28%, 07/07/04	14,670	14,670
Series 2003A			Adjustable Rate Lease Revenue		
1.60%, 09/15/04	15,920	15,920	Taxable Bonds (Barnes & Noble, Inc.		
HSH Nordbank, AG			Distribution & Freight Consolidation		
1.05%, 07/01/04	90,000	89,988	Center Project) Series 1995B		
1.26%, 07/29/04	100,000	99,985	1.28%, 07/07/04	10,000	10,000
Landesbank Baden-Wurtemberg			Adjustable Rate Lease Revenue		
1.13%, 08/11/04	75,000	74,998	Taxable Bonds (Camden Center		
1.27%, 09/07/04	110,000	109,985	Project) Series 2002A		
1.46%, 09/15/04	50,000	49,995	1.28%, 07/07/04	22,045	22,045
◆ Liberty Lighthouse U.S. Capital Co. L.L.C. 4(2) / 144A			Adjustable Rate Lease Revenue		
1.15%, 07/23/04	50,000	50,000	Taxable Bonds (Camden Center		
			Project) Series 2002B		
			1.28%, 07/07/04	20,000	20,000

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Security	Maturity Amount (\$ x 1,000)	Value (\$ x 1,000)
Norddeutsche Landesbank Girozentrale			Other Investments 11.0% of net assets		
1.22%, 07/23/04	135,000	134,980			
Royal Bank of Canada			Repurchase Agreements 11.0%		
1.05%, 07/06/04	150,000	149,970			
Royal Bank of Canada, 144A			Bank of America Securities, L.L.C.		
1.16%, 07/12/04	60,000	60,000	Tri-Party Repurchase Agreement		
Royal Bank of Scotland, PLC			Collateralized by U.S. Government		
1.14%, 07/14/04	100,000	99,993	Securities with a value of \$612,000		
+ Santa Rosa, California			1.55%, issued 06/30/04,		
Pension Obligation Revenue Taxable Bonds			due 07/01/04	600,026	600,000
Series 2003A			Bear Stearns & Co., Inc.		
1.38%, 07/07/04	10,000	10,000	Tri-Party Repurchase Agreement		
+ SE Christian Church, Jefferson County, Kentucky			Collateralized by U.S. Government		
Series 2003			Securities with a value of \$408,004		
1.30%, 07/07/04	10,500	10,500	1.55%, issued 06/30/04,		
◆+ Sigma Finance, Inc., Section 3c7 / 144A			due 07/01/04	400,017	400,000
1.09%, 07/06/04	100,000	99,998	Credit Suisse First Boston L.L.C.		
1.16%, 07/12/04	195,000	195,000	Tri-Party Repurchase Agreement		
1.19%, 07/15/04	120,000	119,988	Collateralized by U.S. Government		
1.20%, 07/15/04	90,000	89,996	Securities with a value of \$110,917		
1.21%, 07/15/04	60,000	60,000	1.50%, issued 06/30/04,		
1.23%, 07/15/04	115,000	115,003	due 07/01/04	108,745	108,740
1.23%, 07/20/04	50,000	49,990	Goldman Sachs & Co.		
1.25%, 07/20/04	105,000	104,998	Tri-Party Repurchase Agreement		
1.24%, 07/21/04	20,000	20,000	Collateralized by U.S. Government		
1.25%, 07/26/04	145,000	144,978	Securities with a value of \$393,720		
+ Sisters of Mercy of the Americas Regional			1.56%, issued 06/30/04,		
Community of Omaha, Nebraska			due 07/01/04	386,017	386,000
Series 2001			J.P. Morgan Securities, Inc.		
1.30%, 07/07/04	11,860	11,860	Tri-Party Repurchase Agreement		
• Travelers Insurance Co.			Collateralized by U.S. Government		
1.24%, 08/02/04	100,000	100,000	Securities with a value of \$408,004		
UBS, AG			1.55%, issued 06/30/04,		
1.18%, 07/19/04	720,000	719,762	due 07/01/04	400,017	400,000
Wells Fargo & Co.			Morgan Stanley & Co. Inc.		
1.13%, 07/02/04	75,000	75,000	Tri-Party Repurchase Agreement		
1.60%, 09/24/04	150,000	150,113	Collateralized by U.S. Government		
Wells Fargo & Co., 144A			Securities with a value of \$1,024,493		
1.30%, 07/15/04	125,000	125,000	1.55%, issued 06/30/04,		
◆ White Pine Finance, L.L.C., Section 3c7 / 144A			due 07/01/04	1,000,043	1,000,000
1.21%, 07/19/04	84,000	83,991			
		6,938,774			

Security	Maturity Amount (\$ x 1,000)	Value (\$ x 1,000)
UBS Financial Services, Inc.		
Tri-Party Repurchase Agreement		
Collateralized by U.S. Government		
Securities with a value of \$2,416,399		
1.55%, issued 06/30/04, due 07/01/04	604,080	604,000
1.04%, issued 03/16/04, due 07/07/04	115,375	115,000
1.04%, issued 03/17/04, due 07/07/04	486,569	485,000
1.04%, issued 03/18/04, due 07/07/04	125,401	125,000
1.04%, issued 03/19/04, due 07/07/04	586,859	585,000
1.04%, issued 03/22/04, due 07/07/04	80,247	80,000
1.06%, issued 05/05/04, due 07/07/04	375,696	375,000
		5,263,740

End of investments.

Issuer Rate, Acquisition Date, Maturity Date	Face Amount (\$ x 1,000)	Cost/ Value (\$ x 1,000)
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**At June 30, 2004, portfolio holdings included
illiquid restricted securities as follows:**

✦ GE Life & Annuity Assurance Co.		
1.20%, 05/03/99, 07/01/04	100,000	100,000
1.20%, 08/02/99, 07/01/04	50,000	50,000
1.15%, 02/03/03, 08/02/04	50,000	50,000
		200,000
Metropolitan Life Insurance Co.		
1.16%, 12/28/00, 07/30/04	50,000	50,000
1.26%, 02/03/03, 08/02/04	100,000	100,000
		150,000
Monumental Life Insurance Co.		
1.28%, 06/09/93, 07/01/04	100,000	100,000
The Goldman Sachs Group, Inc.		
1.25%, 01/05/04, 07/06/04	236,000	236,000
1.25%, 12/16/03, 07/16/04	150,000	150,000
1.28%, 01/29/04, 08/26/04	100,000	100,000
1.45%, 12/02/03, 08/27/04	67,000	67,000
1.27%, 01/09/04, 10/06/04	13,000	13,000
1.31%, 02/06/04, 11/02/04	50,000	50,000
1.33%, 02/11/04, 11/08/04	30,000	30,000
1.24%, 03/23/04, 12/17/04	190,000	190,000
		836,000
Travelers Insurance Co.		
1.24%, 10/31/03, 08/02/04	100,000	100,000

Statement of

Assets and Liabilities

As of June 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$42,631,904
Repurchase agreements, at value	5,263,740
Interest receivable	70,735
Prepaid expenses	+ 553
Total assets	47,966,932

Liabilities

Payables:	
Dividends to shareholders	9,252
Investment adviser and administrator fees	360
Transfer agent and shareholder service fees	585
Accrued expenses	+ 3,349
Total liabilities	13,546

Net Assets

Total assets	47,966,932
Total liabilities	- 13,546
Net assets	\$47,953,386

Net Assets by Source

Capital received from investors	47,953,435
Net realized capital losses	(49)

Net Asset Value (NAV)

Net Assets	÷	Shares Outstanding	=	NAV
\$47,953,386		47,953,994		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost of the fund's securities was \$47,895,644. Includes illiquid restricted securities worth \$1,386,000, or 2.89% of the fund's total net assets. Also, includes other restricted but deemed liquid securities comprised of 144A, section 4(2) and 3c7 securities, worth \$14,645,034 or 30.54% of the fund's total net assets.

Federal Tax Data**Cost basis of portfolio** \$47,895,644**As of December 31, 2003:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2007	\$49

Statement of

Operations

For January 1, 2004 through June 30, 2004; unaudited. All numbers x 1,000.

Investment Income

Interest	\$271,640
----------	------------------

Expenses

Investment adviser and administrator fees	74,489
Transfer agent and shareholder service fees	108,152
Trustees' fees	82
Custodian and portfolio accounting fees	2,097
Professional fees	64
Registration fees	375
Shareholder reports	2,392
Other expenses	+
	290
Total expenses	187,941
Expense reduction	-
	7,688
Net expenses	180,253

Increase in Net Assets from Operations

Total investment income	271,640
Net expenses	-
	180,253
Net investment income	91,387
Increase in net assets from operations	\$91,387

Unless stated, all numbers x 1,000.

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the operating expenses of this fund through April 30, 2005 to 0.75% of average daily net assets. This limit does not include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.
Figures for the current period are unaudited.

Operations

	1/1/04-6/30/04	1/1/03-12/31/03
Net investment income	\$91,387	\$257,243
Increase in net assets from operations	91,387	257,243

Distributions Paid

Dividends from net investment income	91,387	257,243
--------------------------------------	---------------	----------------

Transactions in Fund Shares

Shares sold	70,106,617	132,562,456
Shares reinvested	81,043	253,763
Shares redeemed	+ (71,313,531)	(134,800,345)
Net transactions in fund shares	(1,125,871)	(1,984,126)

Net Assets

Beginning of period	49,079,257	51,063,383
Total decrease	+ (1,125,871)	(1,984,126)
End of period	\$47,953,386	\$49,079,257

Unless stated, all numbers x 1,000.

The tax-basis components of distributions for the period ended 12/31/03 are:

Ordinary income	\$257,243
Long-term capital gains	\$-

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Schwab Government Money Fund™

Financial Statements

Financial Highlights

	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.00 ¹	0.01	0.04	0.06	0.04
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.00) ¹	(0.01)	(0.04)	(0.06)	(0.04)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.18 ²	0.48	1.20	3.63	5.69	4.50
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.75 ³	0.75	0.75	0.75	0.76 ⁴	0.75
Gross operating expenses	0.83 ³	0.83	0.83	0.84	0.85	0.85
Net investment income	0.36 ³	0.49	1.19	3.52	5.54	4.42
Net assets, end of period (\$ x 1,000,000)	2,863	2,838	3,092	3,054	2,509	2,545

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratio of net operating expenses would have been 0.75% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of June 30, 2004; unaudited

This section shows all the securities in the fund's portfolio and their value, as of the report date.

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Value (\$x1,000)
45.7% U.S. Government Securities	1,307,534	1,307,534
12.5% Variable-Rate Obligations	358,979	358,979
44.5% Other Investments	1,272,862	1,272,862
102.7% Total Investments	2,939,375	2,939,375
(2.7)% Other Assets and Liabilities		(76,281)
100.0% Total Net Assets		2,863,094

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
---	------------------------------------	------------------------------

U.S. Government Securities 45.7% of net assets

Discount Notes 30.4%**Fannie Mae**

1.01%, 07/01/04	31,160	31,160
1.02%, 07/01/04	72,482	72,482
1.03%, 07/01/04	50,000	50,000
1.04%, 07/07/04	6,200	6,199
1.07%, 07/28/04	20,000	19,984
1.14%, 07/28/04	39,525	39,492
1.10%, 08/04/04	30,000	29,969
1.14%, 08/16/04	30,050	30,006

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.38%, 08/20/04	10,000	9,981
1.26%, 09/01/04	55,869	55,747
1.47%, 09/08/04	15,000	14,958
1.54%, 10/01/04	30,000	29,883
1.56%, 10/01/04	53,000	52,790
1.11%, 10/12/04	8,533	8,506
1.17%, 10/13/04	15,000	14,950
1.39%, 10/15/04	15,000	14,940
1.16%, 11/12/04	8,000	7,966
1.52%, 12/01/04	15,000	14,904
1.09%, 12/10/04	40,000	39,806
1.33%, 01/07/05	15,000	14,896
1.39%, 03/28/05	10,000	9,897

Federal Home Loan Bank

1.06%, 07/23/04	44,000	43,972
1.07%, 07/23/04	21,428	21,414

Freddie Mac

1.11%, 07/06/04	12,000	11,998
1.05%, 07/27/04	5,085	5,081
1.10%, 07/27/04	6,850	6,845
1.10%, 07/28/04	5,600	5,595
1.08%, 08/12/04	6,713	6,705
1.13%, 08/18/04	45,217	45,150
1.07%, 08/24/04	13,000	12,979
1.28%, 08/24/04	6,350	6,338
1.45%, 09/21/04	10,000	9,967
1.49%, 10/05/04	6,050	6,026
1.11%, 10/07/04	5,519	5,502
1.51%, 10/12/04	4,841	4,820
1.51%, 10/15/04	25,000	24,890
1.10%, 10/18/04	31,269	31,165
1.41%, 11/04/04	10,000	9,951
1.63%, 12/07/04	28,000	27,800
1.38%, 04/05/05	15,000	14,842

869,556

Coupon Notes 15.3%**Fannie Mae**

6.50%, 08/15/04	63,255	63,657
3.50%, 09/15/04	10,000	10,043
1.40%, 02/25/05	20,000	20,000
1.35%, 04/28/05	20,000	20,000
1.61%, 05/13/05	15,000	15,000

Federal Home Loan Bank

3.63%, 10/15/04	40,500	40,780
4.13%, 11/15/04	13,500	13,630
1.46%, 11/17/04	15,000	15,000

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.41%, 12/13/04	15,000	14,991
1.50%, 02/28/05	10,000	10,000
1.40%, 04/01/05	15,000	15,000
4.13%, 05/13/05	10,000	10,215
Freddie Mac		
3.00%, 07/15/04	51,248	51,286
6.25%, 07/15/04	60,000	60,118
4.50%, 08/15/04	23,000	23,096
1.88%, 01/15/05	20,000	19,999
3.88%, 02/15/05	10,000	10,163
1.32%, 02/23/05	25,000	25,000
		437,978

Variable-Rate Obligations 12.5% of net assets

Coupon Notes 12.5%

Fannie Mae		
0.98%, 07/06/04	30,000	29,975
0.97%, 07/29/04	50,000	49,972
0.99%, 09/07/04	50,000	49,965
1.28%, 09/09/04	40,000	39,977
Federal Home Loan Bank		
1.00%, 07/06/04	60,000	59,962
1.24%, 08/06/04	15,000	15,000
1.51%, 09/30/04	50,000	49,999
Freddie Mac		
1.10%, 07/07/04	64,125	64,129
		358,979

Security	Maturity Amount (\$ x 1,000)
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Other Investments 44.5% of net assets

Repurchase Agreements 44.5%

Bank of America Securities L.L.C.

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$56,100		
1.37%, issued 06/28/04, due 07/07/04	25,009	25,000
1.40%, issued 06/29/04, due 07/07/04	30,009	30,000

Security	Maturity Amount (\$ x 1,000)	Value (\$ x 1,000)
Bear Stearn & Co., Inc.		
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$51,054		
1.30%, issued 05/03/04, due 07/07/04	20,047	20,000
1.34%, issued 06/24/04, due 07/07/04	30,015	30,000
Credit Suisse First Boston L.L.C.		
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$490,485		
1.50%, issued 06/30/04, due 07/01/04	175,870	175,862
1.07%, issued 06/04/04, due 07/06/04	75,071	75,000
1.09%, issued 06/08/04, due 07/07/04	100,088	100,000
1.11%, issued 05/25/04, due 07/07/04	50,066	50,000
1.11%, issued 06/09/04, due 07/07/04	50,043	50,000
1.16%, issued 05/14/04, due 07/07/04	30,052	30,000
Goldman Sachs & Co.		
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$179,520		
1.56%, issued 06/30/04, due 07/01/04	176,008	176,000
Morgan Stanley & Co.		
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$81,600		
1.08%, issued 05/03/04, due 07/07/04	45,088	45,000
1.17%, issued 06/14/04, due 07/07/04	35,026	35,000

Portfolio Holdings continued

Security	Maturity Amount (\$ x 1,000)	Value (\$ x 1,000)
UBS Financial Services, Inc.		
Tri-Party Repurchase Agreement		
Collateralized by U.S. Government		
Securities with a value of \$439,630		
1.55%, issued 06/30/04, due 07/01/04	176,008	176,000
1.04%, issued 05/07/04, due 07/06/04	30,052	30,000
1.04%, issued 03/17/04, due 07/07/04	30,097	30,000
1.04%, issued 03/18/04, due 07/07/04	30,096	30,000
1.06%, issued 05/05/04, due 07/07/04	65,121	65,000
1.08%, issued 04/26/04, due 07/07/04	60,130	60,000
1.41%, issued 06/30/04, due 07/07/04	40,011	40,000
		1,272,862

End of investments.

Statement of

Assets and Liabilities

As of June 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$1,666,513
Repurchase agreements, at value	1,272,862
Interest receivable	7,066
Prepaid expenses	+ 22
Total assets	2,946,463

Liabilities

Payables:	
Dividends to shareholders	477
Investments bought	82,673
Investment adviser and administrator fees	22
Transfer agent and shareholder service fees	35
Accrued expenses	+ 162
Total liabilities	83,369

Net Assets

Total assets	2,946,463
Total liabilities	– 83,369
Net assets	\$2,863,094

Net Assets by Source

Capital received from investors	2,863,815
Net realized capital losses	(721)

Net Asset Value (NAV)

Net Assets	÷	Shares Outstanding	=	NAV
\$2,863,094		2,864,206		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$2,939,375.

Federal Tax Data**Cost basis of portfolio** \$2,939,375**As of December 31, 2003:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2004	\$162
2005	226
2006	119
2007	184
2008	13
2010	1
2011	+ 16
	\$721

Statement of

Operations

For January 1, 2004 through June 30, 2004; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$15,817****Expenses**

Investment adviser and administrator fees	5,140
Transfer agent and shareholder service fees	6,417
Trustees' fees	17
Custodian and portfolio accounting fees	117
Professional fees	16
Registration fees	91
Shareholder reports	60
Other expenses	+ 15
Total expenses	11,873
Expense reduction	- 1,178
Net expenses	10,695

Increase in Net Assets from Operations

Total investment income	15,817
Net expenses	- 10,695
Net investment income	5,122
Increase in net assets from operations	\$5,122

Unless stated, all numbers x 1,000.

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the operating expenses of this fund through April 30, 2005 to 0.75% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.
Figures for the current period are unaudited.

Operations

	1/1/04-6/30/04	1/1/03-12/31/03
Net investment income	\$5,122	\$14,944
Net realized losses	+ —	(16)
Increase in net assets from operations	5,122	14,928

Distributions Paid

Dividends from net investment income	5,122	14,944
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Transactions in Fund Shares

Shares sold	4,521,361	8,476,017
Shares reinvested	4,590	14,704
Shares redeemed	+ (4,500,386)	(8,744,747)
Net transactions in fund shares	25,565	(254,026)

Net Assets

Beginning of period	2,837,529	3,091,571
Total increase or decrease	+ 25,565	(254,042)
End of period	\$2,863,094	\$2,837,529

Unless stated, all numbers x 1,000.

The tax-basis components of distributions for the period ended 12/31/03 are:

Current year

Ordinary income	\$14,944
Long-term capital gains	\$—

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Schwab U.S. Treasury Money Fund™

Financial Statements

Financial Highlights

	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.00 ¹	0.01	0.04	0.05	0.04
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.00) ¹	(0.01)	(0.04)	(0.05)	(0.04)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.18 ²	0.49	1.15	3.61	5.40	4.25
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.65 ³	0.65	0.65	0.65	0.66 ⁴	0.65
Gross operating expenses	0.82 ³	0.82	0.82	0.84	0.85	0.86
Net investment income	0.36 ³	0.49	1.15	3.44	5.27	4.18
Net assets, end of period (\$ x 1,000,000)	4,213	4,046	4,323	4,042	2,750	2,592

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratio of net operating expenses would have been 0.65% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of June 30, 2004; unaudited

This section shows all the securities in the fund's portfolio and their value, as of the report date.

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date.

Holdings by Category	Cost (\$x1,000)	Value (\$x1,000)
104.4% U.S. Government Securities	4,398,102	4,398,102
104.4% Total Investments	4,398,102	4,398,102
(4.4)% Other Assets and Liabilities		(185,240)
100.0% Total Net Assets		4,212,862

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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U.S. Government Securities 104.4% of net assets

Treasury Bills 65.9%**U.S. Treasury Bills**

0.89%, 07/01/04	18,220	18,220
0.90%, 07/01/04	21,580	21,580
0.94%, 07/01/04	40,000	40,000
0.95%, 07/01/04	143,155	143,155
1.00%, 07/08/04	269,545	269,492
1.01%, 07/08/04	45,330	45,321
1.02%, 07/08/04	300,000	299,940
0.92%, 07/15/04	100,000	99,964
0.93%, 07/15/04	51,805	51,786
0.94%, 07/15/04	135,595	135,546
0.95%, 07/15/04	175,000	174,935
1.02%, 07/15/04	3,010	3,009

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.06%, 07/15/04	45,500	45,481
0.98%, 08/05/04	4,195	4,191
1.04%, 08/05/04	6,845	6,838
1.12%, 08/05/04	1,910	1,908
0.98%, 08/19/04	50,000	49,933
1.01%, 08/19/04	100,000	99,863
1.02%, 08/19/04	249,395	249,050
1.03%, 08/19/04	160,520	160,296
1.04%, 08/19/04	35,225	35,175
1.05%, 08/26/04	64,125	64,021
1.00%, 09/02/04	50,000	49,913
1.01%, 09/02/04	50,000	49,912
1.17%, 09/02/04	100,000	99,796
0.98%, 09/16/04	11,600	11,576
1.30%, 09/16/04	10,470	10,441
1.29%, 09/23/04	15,045	15,000
1.35%, 09/30/04	100,000	99,659
1.36%, 09/30/04	140,000	139,520
1.10%, 10/21/04	50,000	49,830
1.34%, 11/18/04	12,515	12,450
1.36%, 11/18/04	44,000	43,769
1.38%, 11/26/04	92,810	92,285
1.40%, 12/02/04	30,000	29,822
1.42%, 12/02/04	50,000	49,700
1.46%, 12/02/04	3,370	3,349

2,776,726

Treasury Notes 38.5%**U.S. Treasury Notes**

2.25%, 07/31/04	603,555	604,166
6.00%, 08/15/04	217,900	219,235
7.25%, 08/15/04	25,000	25,192
2.13%, 08/31/04	133,750	133,975
1.88%, 09/30/04	34,945	35,015
2.13%, 10/31/04	146,265	146,785
5.88%, 11/15/04	150,720	153,357
2.00%, 11/30/04	116,565	116,862
1.75%, 12/31/04	35,000	35,078
1.50%, 02/28/05	27,245	27,292
1.63%, 03/31/05	124,285	124,419

1,621,376

End of investments.

Statement of

Assets and Liabilities

As of June 30, 2004; unaudited. All numbers x 1,000 except NAV.

Unless stated, all numbers x 1,000.

Assets

Investments, at value	\$4,398,102
Cash	2
Interest receivable	14,908
Prepaid expenses	+ 75
Total assets	4,413,087

— The amortized cost for the fund's securities was \$4,398,102.

Liabilities

Payables:	
Dividends to shareholders	729
Payables for investments purchased	199,315
Investment adviser and administrator fees	21
Transfer agent and shareholder service fees	51
Accrued expenses	+ 109
Total liabilities	200,225

Net Assets

Total assets	4,413,087
Total liabilities	— 200,225
Net assets	\$4,212,862

Net Assets by Source

Capital received from investors	4,213,744
Net realized capital losses	(882)

Net Asset Value (NAV)

Net Assets	÷	Shares Outstanding	=	NAV
\$4,212,862		4,213,807		\$1.00

Federal Tax Data**Cost basis of portfolio** \$4,398,109**As of December 31, 2003:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2005	\$62
2006	89
2007	580
2010	66
2011	+ 75
	\$872

Statement of

Operations

For January 1, 2004 through June 30, 2004; unaudited. All numbers x 1,000.

Investment Income

Interest	\$21,014
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Net Realized Gains and Losses

Net realized losses on investments sold	(10)
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Expenses

Investment adviser and administrator fees	7,417
Transfer agent and shareholder service fees	9,334
Trustees' fees	18
Custodian and portfolio accounting fees	159
Professional fees	18
Registration fees	65
Shareholder reports	19
Other expenses	+
	18
Total expenses	17,048
Expense reduction	-
	3,565
Net expenses	13,483

Increase in Net Assets from Operations

Total investment income	21,014
Net expenses	-
	13,483
Net investment income	7,531
Net realized losses	+
	(10)
Increase in net assets from operations	\$7,521

Unless stated, all numbers x 1,000.

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the operating expenses of this fund through April 30, 2005 to 0.65% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.
Figures for the current period are unaudited.

Operations

	1/1/04-6/30/04	1/1/03-12/31/03
Net investment income	\$7,531	\$20,290
Net realized losses	+ (10)	(56)
Increase in net assets from operations	7,521	20,234

Distributions Paid

Dividends from net investment income	7,531	20,290
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Transactions in Fund Shares

Shares sold	5,890,348	10,404,314
Shares reinvested	6,730	20,037
Shares redeemed	+ (5,730,016)	(10,701,867)
Net transactions in fund shares	167,062	(277,516)

Net Assets

Beginning of period	4,045,810	4,323,382
Total increase or decrease	+ 167,052	(277,572)
End of period	\$4,212,862	\$4,045,810

Unless stated, all numbers x 1,000.

The tax-basis components of distributions for the period ended 12/31/03 are:

Ordinary income	\$20,290
Long-term capital gains	\$-

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Schwab Value Advantage Money Fund[®]

Financial Statements

Financial Highlights

Investor Shares	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.02	0.04	0.06	0.05
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.02)	(0.04)	(0.06)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.34 ²	0.80	1.55	4.05	6.22	5.01

Ratios/Supplemental Data (%)

Ratios to average net assets:						
Net operating expenses	0.45 ³	0.45	0.45	0.43	0.41 ⁴	0.40
Gross operating expenses	0.56 ³	0.55	0.54	0.56	0.60	0.61
Net investment income	0.68 ³	0.81	1.55	3.92	6.07	4.91
Net assets, end of period (\$ x 1,000,000)	25,706	28,860	38,728	44,247	36,319	27,265

Select Shares	1/1/04– 6/30/04*	2/28/03 ⁵ – 12/31/03
Per-Share Data (\$)		
Net asset value at beginning of period	1.00	1.00
Income from investment operations:		
Net investment income	0.00 ¹	0.01
Less distributions:		
Dividends from net investment income	(0.00) ¹	(0.01)
Net asset value at end of period	1.00	1.00
Total return (%)	0.39 ²	0.72 ²

Ratios/Supplemental Data (%)

Ratios to average net assets:		
Net operating expenses	0.35 ³	0.35 ³
Gross operating expenses	0.56 ³	0.55 ³
Net investment income	0.78 ³	0.83 ³
Net assets, end of period (\$ x 1,000,000)	1,026	1,013

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratio of net operating expenses would have been 0.40% if certain non-routine expenses (proxy fees) had not been included.

⁵ Commencement of operations.

Institutional Shares	1/1/04– 6/30/04*	1/1/03– 12/31/03	7/1/02¹– 12/31/02
Per-Share Data (\$)			
Net asset value at beginning of period	1.00	1.00	1.00
Income from investment operations:			
Net investment income	0.00²	0.01	0.01
Less distributions:			
Dividends from net investment income	(0.00)²	(0.01)	(0.01)
Net asset value at end of period	1.00	1.00	1.00
Total return (%)	0.44³	1.01	0.81³
Ratios/Supplemental Data (%)			
Ratios to average net assets:			
Net operating expenses	0.24⁴	0.24	0.24⁴
Gross operating expenses	0.56⁴	0.55	0.55⁴
Net investment income	0.89⁴	1.00	1.57⁴
Net assets, end of period (\$ x 1,000,000)	940	720	521

* Unaudited.

¹ Commencement of operations.

² Per-share amount was less than \$0.01.

³ Not annualized.

⁴ Annualized.

Portfolio Holdings as of June 30, 2004; unaudited

This section shows all the securities in the fund's portfolio and their value, as of the report date.

We use the symbols below to designate certain characteristics:

- ◆ Asset-backed security
- ✦ Credit-enhanced security
- Illiquid restricted security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category		Cost (\$x1,000)	Value (\$x1,000)
73.0%	Fixed-Rate Obligations	20,202,810	20,202,810
1.4%	U.S. Government Securities	375,000	375,000
13.7%	Variable-Rate Obligations	3,788,039	3,788,039
11.9%	Other Investments	3,302,431	3,302,431
100.0%	Total Investments	27,668,280	27,668,280
0.0%	Other Assets and Liabilities		3,585
100.0%	Total Net Assets		27,671,865

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Fixed-Rate Obligations 73.0% of net assets**Commercial Paper & Other Corporate Obligations** 39.1%

AB Spintab		
1.04%, 07/07/04	24,000	23,996
Alliance & Leicester, PLC, Section 4(2) / 144A		
1.09%, 07/22/04	20,000	19,987
1.51%, 09/24/04	68,000	67,759
◆ Amstel Funding Corp., Section 4(2) / 144A		
1.20%, 08/16/04	100,000	99,847
◆+ Amsterdam Funding Corp., Section 4(2) / 144A		
1.08%, 07/06/04	30,000	29,995
◆+ Aquinas Funding, L.L.C., Section 4(2) / 144A		
1.18%, 08/05/04	49,000	48,944
1.10%, 08/25/04	50,000	49,917
◆+ ASAP Funding, Ltd., Section 4(2) / 144A		
1.39%, 08/23/04	19,000	18,961
1.38%, 08/24/04	99,000	98,795
1.54%, 09/21/04	96,000	95,665
◆+ Atlantic Asset Securitization Corp., Section 4(2) / 144A		
1.50%, 09/20/04	15,000	14,950
◆ Atlantis One Funding Corp., Section 4(2) / 144A		
1.22%, 08/17/04	29,000	28,954
1.36%, 08/19/04	50,537	50,443
1.48%, 09/16/04	115,205	114,843
Bank of America Corp.		
1.06%, 07/07/04	435,000	434,923
1.06%, 07/08/04	90,000	89,981
◆+ Barton Capital Corp., Section 4(2) / 144A		
1.10%, 07/23/04	30,000	29,980
Bear Stearns Companies, Inc.		
1.04%, 07/09/04	34,000	33,992
1.05%, 07/14/04	50,000	49,981
1.04%, 07/21/04	100,000	99,942
◆+ Beta Finance, Inc., Section 3c7 / 144A		
1.05%, 07/01/04	14,000	14,000
1.25%, 07/29/04	15,000	14,985
1.23%, 08/16/04	48,500	48,424
1.29%, 09/01/04	20,000	19,956
1.32%, 09/07/04	18,000	17,955
1.50%, 09/23/04	34,000	33,882

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
♦ CC (USA), Inc., Section 3c7 / 144A					
1.05%, 07/02/04	36,000	35,999	1.09%, 07/09/04	14,000	13,997
1.05%, 07/15/04	50,000	49,980	1.10%, 07/13/04	107,000	106,961
1.24%, 08/09/04	75,000	75,000	1.11%, 07/15/04	10,000	9,996
1.25%, 08/26/04	45,000	44,912	1.16%, 07/15/04	64,000	63,971
1.51%, 09/15/04	29,000	28,908	1.25%, 07/21/04	135,000	134,906
1.54%, 09/27/04	22,000	21,918	1.24%, 08/09/04	40,000	39,946
			1.54%, 09/27/04	10,000	9,963
Citicorp			♦♦ Delaware Funding Corp., Section 4(2) / 144A		
1.15%, 07/09/04	50,000	49,987	1.15%, 07/14/04	9,431	9,427
1.34%, 08/03/04	45,000	44,945			
1.30%, 08/10/04	131,000	130,811	DnB NOR Bank ASA		
			1.04%, 07/08/04	36,000	35,993
Citigroup Global Markets Holdings, Inc.			♦ Dorada Finance, Inc., Section 3c7 / 144A		
1.04%, 07/07/04	145,000	144,975	1.15%, 07/26/04	18,500	18,485
1.04%, 07/09/04	117,000	116,973	1.29%, 09/02/04	20,000	19,955
1.09%, 07/16/04	50,000	49,977	1.35%, 09/10/04	72,000	71,808
1.09%, 07/20/04	172,000	171,901	1.40%, 09/10/04	40,000	39,890
1.10%, 07/21/04	20,000	19,988			
♦♦ Clipper Receivables Corp., Section 4(2) / 144A			♦♦ Edison Asset Securitization Corp., L.L.C., Section 4(2) / 144A		
1.07%, 07/06/04	15,000	14,998	1.04%, 07/08/04	157,156	157,124
1.07%, 07/07/04	21,900	21,896	1.15%, 07/12/04	1,018	1,018
1.07%, 07/09/04	75,000	74,982	1.13%, 07/22/04	289,000	288,810
1.10%, 07/21/04	50,000	49,969	1.29%, 09/02/04	100,000	99,774
♦♦ Concord Minutemen Capital Co., Section 3c7 / 144A			♦♦ Eiffel Funding, L.L.C., Section 4(2) / 144A		
Series A			1.10%, 07/13/04	101,000	100,963
1.13%, 07/06/04	95,000	94,985	1.07%, 07/14/04	4,000	3,998
1.08%, 07/07/04	45,000	44,992	1.12%, 07/19/04	28,000	27,984
1.11%, 07/13/04	80,550	80,520	1.27%, 09/02/04	15,000	14,967
1.27%, 07/16/04	78,000	77,959			
1.27%, 07/19/04	73,000	72,954	♦♦ Fairway Finance Co., L.L.C., Section 4(2) / 144A		
1.20%, 08/17/04	20,000	19,969	1.15%, 07/13/04	22,034	22,026
1.20%, 08/18/04	50,000	49,920	1.13%, 07/21/04	14,069	14,060
Class C Note			1.13%, 08/06/04	14,300	14,284
1.28%, 07/16/04	21,000	20,989	1.20%, 08/16/04	7,678	7,666
♦♦ Crown Point Capital Co., L.L.C., Section 4(2) / 144A			♦♦ Falcon Asset Securitization Corp., Section 4(2) / 144A		
1.11%, 07/06/04	41,000	40,994	1.08%, 07/02/04	25,000	24,999
1.08%, 07/09/04	20,691	20,686	1.25%, 07/21/04	66,000	65,954
1.07%, 07/16/04	50,000	49,978	1.24%, 07/26/04	180,137	179,982
1.16%, 07/16/04	20,000	19,990			
1.36%, 09/02/04	111,133	110,869	♦ Galaxy Funding, Inc., Section 4(2) / 144A		
1.52%, 09/07/04	83,354	83,115	1.25%, 07/27/04	87,000	86,921
1.39%, 09/08/04	18,000	17,952	1.27%, 07/28/04	70,000	69,933
			1.22%, 08/17/04	143,000	142,772
♦ Dakota CP Notes of Citibank Credit Card Issuance Trust, Section 4(2) / 144A			1.35%, 08/19/04	80,000	79,853
1.07%, 07/01/04	25,000	25,000	General Electric Capital Corp.		
1.10%, 07/08/04	60,000	59,987	1.04%, 07/09/04	185,000	184,957
			1.04%, 07/14/04	200,000	199,925

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.10%, 07/16/04	225,000	224,897	◆ Mane Funding Corp., Section 4(2) / 144A		
1.04%, 07/22/04	24,000	23,985	1.09%, 07/12/04	18,000	17,994
1.48%, 09/16/04	178,000	177,440	1.16%, 07/14/04	49,712	49,691
General Electric Capital Services			1.22%, 08/19/04	52,000	51,914
1.13%, 07/14/04	100,000	99,959	1.26%, 08/24/04	28,000	27,947
1.04%, 07/16/04	40,000	39,983	◆ Mont Blanc Capital Corp., Section 4(2) / 144A		
1.48%, 09/17/04	115,000	114,634	1.23%, 08/23/04	50,000	49,909
◆ Giro Funding U.S. Corp., Section 4(2) / 144A			Morgan Stanley		
1.16%, 07/12/04	70,008	69,983	1.14%, 07/06/04	50,000	49,992
1.11%, 07/15/04	95,000	94,959	1.30%, 08/09/04	150,000	149,789
1.11%, 07/16/04	50,000	49,977	Nationwide Building Society		
1.27%, 07/29/04	140,000	139,862	1.09%, 07/15/04	90,000	89,962
1.51%, 09/15/04	8,375	8,348	◆ NBNZ International Ltd.		
◆ Greyhawk Funding, L.L.C., Section 4(2) / 144A			1.13%, 07/12/04	92,000	91,968
1.16%, 07/16/04	67,000	66,968	◆ Newcastle Certificates Program, Section 4(2) / 144A		
1.13%, 07/23/04	12,000	11,992	Series 2000A		
1.36%, 08/23/04	185,700	185,328	1.09%, 07/12/04	5,000	4,998
1.51%, 09/21/04	40,000	39,863	1.23%, 08/18/04	46,000	45,925
1.54%, 09/27/04	10,000	9,963	1.36%, 08/20/04	80,000	79,849
◆ HBOS Treasury Services, PLC			1.36%, 08/23/04	75,000	74,850
1.04%, 07/22/04	50,000	49,970	1.53%, 09/24/04	25,000	24,910
1.10%, 08/19/04	69,700	69,597	◆ Nieuw Amsterdam Receivables Corp.,		
1.10%, 08/31/04	19,270	19,234	Section 4(2) / 144A		
HSBC U.S.A., Inc.			1.07%, 07/02/04	25,869	25,868
1.04%, 07/13/04	40,000	39,986	1.17%, 07/13/04	22,662	22,653
HSH Nordbank, AG Section 4(2) / 144A			1.26%, 07/30/04	33,203	33,169
1.10%, 07/19/04	8,500	8,495	1.51%, 09/13/04	42,000	41,871
◆ ING (U.S.) Funding, L.L.C.			1.51%, 09/20/04	7,922	7,895
1.11%, 09/01/04	10,000	9,981	◆ Nordea North America, Inc.		
◆ Jupiter Securitization Corp., Section 4(2) / 144A			1.08%, 09/24/04	50,000	49,874
1.06%, 07/01/04	44,000	44,000	◆ Old Line Funding L.L.C., Section 4(2) / 144A		
1.23%, 07/21/04	95,000	94,935	1.14%, 07/12/04	21,000	20,993
◆ Lexington Parker Capital Co., L.L.C.,			1.15%, 07/15/04	56,482	56,457
Section 4(2) / 144A			1.14%, 07/16/04	45,000	44,979
1.11%, 07/22/04	28,000	27,982	1.25%, 07/26/04	21,288	21,270
1.11%, 07/26/04	30,000	29,977	1.25%, 07/28/04	30,690	30,661
1.15%, 07/26/04	15,000	14,988	1.50%, 09/20/04	7,845	7,819
1.11%, 09/01/04	88,000	87,833	◆ Park Granada, L.L.C., Section 4(2) / 144A		
1.13%, 09/01/04	90,681	90,506	1.11%, 07/09/04	27,000	26,993
1.27%, 09/08/04	115,000	114,720	1.12%, 07/13/04	25,000	24,991
1.37%, 09/08/04	62,000	61,837	1.05%, 07/15/04	30,000	29,988
1.51%, 09/15/04	11,322	11,286	◆ Preferred Receivables Funding Corp.,		
1.50%, 11/09/04	24,852	24,717	Section 4(2) / 144A		
◆ Links Finance, L.L.C., Section 3c7 / 144A			1.28%, 08/11/04	150,000	149,781
1.10%, 08/19/04	10,000	9,985			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ Santander Central Hispano Finance (Delaware), Inc.		
1.11%, 07/23/04	6,000	5,996
◆+ Scaldis Capital Ltd., Section 4(2) / 144A		
1.17%, 07/12/04	30,029	30,018
1.05%, 07/15/04	30,181	30,169
1.05%, 07/26/04	10,040	10,033
1.32%, 07/27/04	100,000	99,905
1.20%, 08/16/04	20,000	19,969
1.25%, 08/26/04	50,000	49,903
1.51%, 09/14/04	26,054	25,973
1.51%, 09/15/04	23,202	23,129
1.51%, 09/20/04	47,313	47,153
1.08%, 09/22/04	25,000	24,938
1.51%, 09/22/04	16,126	16,070
1.54%, 09/27/04	8,516	8,484
◆+ Sigma Finance, Inc., Section 3c7 / 144A		
1.05%, 07/26/04	107,310	107,232
1.10%, 08/20/04	18,000	17,973
1.10%, 09/21/04	20,000	19,950
1.52%, 09/27/04	18,000	17,934
1.53%, 09/27/04	42,000	41,843
1.54%, 09/27/04	11,520	11,477
+ Stadshypotek Delaware, Inc., Section 4(2) / 144A		
1.50%, 09/23/04	48,000	47,833
◆+ Thunder Bay Funding, L.L.C., Section 4(2) / 144A		
1.06%, 07/01/04	40,000	40,000
1.10%, 07/06/04	22,000	21,997
1.25%, 07/20/04	15,122	15,112
1.26%, 07/26/04	23,090	23,070
1.50%, 09/20/04	54,243	54,061
◆+ Ticonderoga Funding, L.L.C., Section 4(2) / 144A		
1.25%, 07/15/04	39,539	39,520
+ Westpac Capital Corp.		
1.10%, 07/12/04	8,000	7,997
1.09%, 10/01/04	100,000	99,723
◆ White Pine Finance, L.L.C., Section 3c7 / 144A		
1.27%, 09/01/04	19,792	19,749
1.33%, 09/03/04	15,209	15,173
1.33%, 09/07/04	30,106	30,030
1.61%, 10/05/04	19,000	18,919
◆+ Yorktown Capital, L.L.C., Section 4(2) / 144A		
1.07%, 07/01/04	160,162	160,162
		10,827,928

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Certificates of Deposit 30.7%		
+ Abbey National Treasury Services, PLC		
1.29%, 09/07/04	100,000	100,000
ABN-AMRO Bank, NV		
1.10%, 07/21/04	157,000	157,000
1.09%, 09/07/04	60,000	60,000
Alliance & Leicester, PLC		
1.09%, 08/24/04	23,000	23,000
Banco Bilbao Vizcaya Argentaria S.A.		
1.10%, 07/20/04	150,000	150,000
1.11%, 07/23/04	130,000	130,000
1.82%, 12/31/04	131,000	131,003
Banco Santander Central Hispano S.A.		
1.53%, 09/28/04	276,000	276,000
Barclays Bank, PLC		
1.05%, 07/26/04	80,000	80,000
1.18%, 08/13/04	70,000	70,000
1.25%, 08/13/04	150,000	149,987
1.35%, 08/26/04	49,000	48,999
Bayerische Landesbank Girozentrale		
1.71%, 05/23/05	30,000	29,996
BNP Paribas		
1.05%, 07/12/04	183,000	183,000
1.10%, 07/23/04	225,000	225,000
1.50%, 05/06/05	150,000	149,987
Calyon		
1.14%, 09/13/04	169,000	169,000
Citibank, N.A.		
1.23%, 08/25/04	94,000	94,000
1.29%, 09/07/04	134,000	134,000
1.49%, 09/24/04	170,000	170,000
1.53%, 09/29/04	37,000	37,000
1.54%, 09/29/04	25,000	25,000
Credit Suisse First Boston		
1.06%, 08/04/04	65,000	65,000
DnB NOR Bank ASA		
1.10%, 09/08/04	45,000	45,000
1.34%, 09/08/04	30,000	30,000
Deutsche Bank, AG		
1.05%, 07/08/04	40,000	40,001
1.11%, 07/22/04	200,000	200,000
1.40%, 09/03/04	110,000	110,000

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.41%, 10/15/04	285,000	285,000	Norddeutsche Landesbank Girozentrale		
1.42%, 10/27/04	27,000	27,000	1.40%, 08/05/04	33,000	33,000
1.50%, 11/19/04	100,000	100,000	1.38%, 09/03/04	5,000	5,000
1.60%, 05/20/05	40,000	40,000	1.50%, 05/06/05	30,000	30,000
Dexia Bank Belgium			1.51%, 05/13/05	46,000	45,992
1.36%, 08/24/04	25,000	25,000	1.63%, 05/16/05	117,000	116,985
1.50%, 05/04/05	74,000	73,991	1.60%, 05/20/05	28,000	28,000
First Tennessee Bank, N.A.			Nordea Bank Finland, PLC		
1.23%, 08/05/04	47,000	46,994	1.04%, 07/26/04	166,000	166,000
Fortis Bank			1.04%, 07/30/04	85,000	85,000
1.05%, 07/02/04	150,000	150,000	1.05%, 08/02/04	35,000	35,000
+ HBOS Treasury Services, PLC			Royal Bank of Scotland, PLC		
1.04%, 07/19/04	80,000	80,000	1.04%, 07/23/04	87,000	87,000
1.10%, 07/23/04	30,000	30,000	1.35%, 08/26/04	100,000	99,999
1.09%, 08/24/04	15,000	15,000	1.40%, 09/07/04	85,000	84,999
1.10%, 08/25/04	35,000	35,000	1.75%, 05/27/05	45,000	44,994
1.29%, 09/07/04	60,000	60,000	2.17%, 07/01/05	75,000	74,982
1.50%, 09/24/04	45,000	45,000	San Paolo IMI SpA		
HSH Nordbank, AG			1.11%, 09/08/04	200,000	200,000
1.42%, 09/07/04	92,000	91,998	Societe Generale		
1.10%, 10/29/04	70,000	70,016	1.04%, 07/19/04	75,000	75,000
1.42%, 10/29/04	18,000	17,999	1.38%, 09/14/04	340,000	340,000
2.12%, 06/15/05	65,000	64,988	1.09%, 10/05/04	73,000	73,000
ING Bank, NV			UBS, AG		
1.07%, 07/01/04	110,000	110,000	1.32%, 08/04/04	25,000	25,000
1.10%, 09/01/04	100,000	100,000	1.38%, 08/26/04	45,000	44,999
KBC Bank, NV			1.42%, 11/12/04	200,000	199,996
1.33%, 09/15/04	72,000	72,001	1.40%, 04/04/05	200,000	199,977
Landesbank Baden-Wuerttemberg			Unicredito Italiano SpA		
1.08%, 07/07/04	25,000	25,000	1.10%, 07/23/04	131,000	131,000
1.04%, 07/19/04	13,000	13,000	1.10%, 07/29/04	100,000	100,000
Landesbank Hessen-Thuringen Girozentrale			1.28%, 09/03/04	42,000	42,000
1.35%, 08/26/04	80,000	79,999	1.54%, 09/28/04	233,000	233,000
1.11%, 09/21/04	10,000	10,000	1.55%, 09/30/04	42,000	42,000
1.51%, 11/19/04	62,000	62,000	Washington Mutual Bank, FA		
1.52%, 05/13/05	20,000	20,000	1.11%, 07/09/04	15,000	15,000
Lloyds TSB Bank, PLC			1.10%, 07/14/04	99,000	99,000
1.50%, 09/27/04	185,000	185,000	1.56%, 10/01/04	110,000	110,000
National Australia Bank, Ltd.			Wells Fargo Bank, N.A.		
1.10%, 07/20/04	93,000	93,000	1.10%, 07/08/04	290,000	290,000
Nationwide Building Society			1.10%, 07/09/04	93,000	93,000
1.50%, 09/24/04	22,000	22,000	1.27%, 07/30/04	98,000	98,000
			Wilmington Trust Co.		
			1.11%, 09/02/04	28,000	28,000
					8,508,882

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Bank Notes 1.3%

Bank of America, N.A.		
1.04%, 07/20/04	155,000	155,000
Lasalle National Bank, N.A.		
1.09%, 09/02/04	66,000	66,000
Standard Federal Bank, N.A.		
1.09%, 07/09/04	60,000	60,000
1.09%, 08/19/04	70,000	70,000
	351,000	

Promissory Notes 1.9%

• The Goldman Sachs Group, Inc.		
1.25%, 07/06/04	187,000	187,000
1.28%, 08/26/04	40,000	40,000
1.27%, 10/06/04	12,000	12,000
1.33%, 11/08/04	70,000	70,000
1.24%, 12/17/04	206,000	206,000
	515,000	

U.S. Government Securities 1.4% of net assets**Coupon Notes 1.4%**

Fannie Mae		
1.43%, 02/09/05	175,000	175,000
1.35%, 04/28/05	50,000	50,000
1.50%, 05/09/05	70,000	70,000
1.61%, 05/13/05	80,000	80,000
	375,000	

Variable-Rate Obligations 13.7% of net assets

+ Access Loans for Learning Student Loan Corp.		
Taxable Student Loan RB Series II-A-6		
1.32%, 07/07/04	27,800	27,800
Bank of New York Co., Inc., 144A		
1.34%, 07/27/04	50,000	50,000
Barclays Bank, PLC		
1.16%, 07/15/04	400,000	399,842
1.23%, 07/26/04	40,000	39,989
Bayerische Landesbank Girozentrale		
1.28%, 07/29/04	30,000	29,998

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Canadian Imperial Bank of Commerce		
1.29%, 07/15/04	100,000	100,000
+ Central Baptist Church of Hixson, Tennessee		
1.35%, 07/01/04	13,000	13,000
Chase Manhattan Bank (USA)		
1.14%, 07/12/04	100,000	100,000
+ City of New Britain, Connecticut		
GO Pension Bonds Series 1998		
1.40%, 07/07/04	40,000	40,000
+ Columbus, Georgia Development Authority		
Taxable RB (Jay Leasing, Inc. Project)		
Series 1997		
1.40%, 07/07/04	6,015	6,015
♦ Dorada Finance, Inc., Section 3c7 / 144A		
1.30%, 07/26/04	65,000	65,009
Fannie Mae		
0.98%, 07/06/04	100,000	99,918
1.21%, 07/29/04	200,000	199,889
Federal Home Loan Bank		
1.05%, 07/06/04	225,000	224,857
+ GE Life & Annuity Assurance Co.		
1.15%, 07/01/04	50,000	50,000
General Electric Capital Corp.		
1.36%, 07/19/04	225,000	225,000
Landesbank Baden-Wuerttemberg		
1.27%, 09/07/04	185,000	184,975
♦ Liberty Lighthouse U.S. Capital Co. L.L.C. 4(2) / 144A		
1.15%, 07/23/04	47,000	47,000
Links Finance L.L.C., Section 3c7 / 144A		
1.23%, 07/20/04	50,000	49,990
Lloyds TSB Bank, PLC		
1.11%, 07/13/04	48,000	47,995
+ Loanstar Assets Partners II, L.P.		
1.16%, 07/07/04	25,000	25,000
+ Merlot Trust Section 4(2) / 144A		
Series 2000B		
1.52%, 07/07/04	30,000	30,000
Merrill Lynch & Co, Inc.		
1.06%, 07/01/04	85,000	85,000
• Metropolitan Life Insurance Co.		
1.16%, 07/30/04	50,000	50,000
1.26%, 08/02/04	100,000	100,000

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Security	Maturity Amount (\$ x 1,000)	Value (\$ x 1,000)
• Monumental Life Insurance Co.			Other Investments 11.9% of net assets		
1.19%, 07/01/04	100,000	100,000	Repurchase Agreements 11.9%		
1.21%, 07/01/04	100,000	100,000	Credit Suisse First Boston L.L.C.		
1.28%, 07/01/04	10,000	10,000	Tri-Party Repurchase Agreement		
+ New Jersey Economic Development Authority, 144A			Collateralized by U.S. Government		
Taxable Economic Development			Securities with a value of \$502,283		
Bonds (MSNBC CNBC Project)			1.50%, issued 06/30/04,		
Series 1997A			due 07/01/04		
1.09%, 07/01/04	21,500	21,500	77,434		
Royal Bank of Canada			1.17%, issued 06/09/04,		
1.05%, 07/06/04	40,000	39,992	due 07/07/04		
Royal Bank of Canada, 144A			415,378		
1.16%, 07/12/04	40,000	40,000	415,000		
Royal Bank of Scotland, PLC			Goldman Sachs & Co.		
1.11%, 07/12/04	34,000	33,990	Tri-Party Repurchase Agreement		
1.14%, 07/14/04	85,000	84,994	Collateralized by U.S. Government		
◆◆ Sigma Finance, Inc., Section 3c7 / 144A			Securities with a value of \$204,000		
1.13%, 07/12/04	25,000	25,000	1.56%, issued 06/30/04,		
1.16%, 07/12/04	20,000	20,000	due 07/01/04		
1.23%, 07/15/04	45,000	44,991	200,009		
1.23%, 07/20/04	135,000	134,974	Morgan Stanley & Co. Inc.		
1.24%, 07/20/04	25,000	24,995	Tri-Party Repurchase Agreement		
1.25%, 07/20/04	110,000	109,996	Collateralized by U.S. Government		
1.24%, 07/21/04	55,000	54,999	Securities with a value of \$1,022,550		
1.25%, 07/26/04	50,000	49,992	1.55%, issued 06/30/04,		
+ Town of Islip, New York IDA, 144A			due 07/01/04		
Taxable Adjustable Rate IDRB			1,000,043		
(Nussdorf Associates/Quality			1,000,000		
King Distributions, Inc. Facility)			UBS Financial Services, Inc.		
Series 1992			Tri-Party Repurchase Agreement		
1.70%, 07/07/04	2,595	2,595	Collateralized by U.S. Government		
• Travelers Insurance Co.			Securities with a value of \$1,642,216		
1.24%, 08/02/04	50,000	50,000	1.55%, issued 06/30/04,		
1.35%, 08/20/04	100,000	100,000	due 07/01/04		
UBS, AG			600,026		
1.18%, 07/19/04	250,000	249,920	1.04%, issued 03/17/04,		
Wells Fargo & Co.			due 07/07/04		
1.60%, 09/24/04	98,750	98,824	356,149		
Wells Fargo & Co., 144A			1.04%, issued 03/18/04,		
1.30%, 07/15/04	100,000	100,000	due 07/07/04		
			50,160		
			150,477		
			150,000		
			130,402		
			130,000		
			325,603		
			325,000		
			3,302,431		
		3,788,039	End of investments.		

Issuer Rate, Acquisition Date, Maturity Date	Face Amount (\$ x 1,000)	Cost/ Value (\$ x 1,000)
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**At June 30, 2004, portfolio holdings included
illiquid restricted securities as follows:**

+ GE Life & Annuity Assurance Co.

1.15%, 10/01/03, 07/01/04	50,000	50,000
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Metropolitan Life Insurance Co.

1.16%, 12/28/00, 07/30/04	50,000	50,000
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1.26%, 02/03/03, 08/02/04	100,000	100,000
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150,000

Monumental Life Insurance Co.

1.19%, 10/10/96, 07/01/04	100,000	100,000
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1.21%, 01/12/00, 07/01/04	100,000	100,000
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1.28%, 06/10/93, 07/01/04	10,000	10,000
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210,000

The Goldman Sachs Group, Inc.

1.25%, 01/05/04, 07/06/04	187,000	187,000
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1.28%, 01/29/04, 08/26/04	40,000	40,000
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1.27%, 01/09/04, 10/06/04	12,000	12,000
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1.33%, 02/11/04, 11/08/04	70,000	70,000
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1.24%, 03/23/04, 12/17/04	206,000	206,000
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515,000

Travelers Insurance Co.

1.24%, 01/31/03, 08/02/04	25,000	25,000
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1.24%, 10/31/03, 08/02/04	25,000	25,000
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1.35%, 08/21/03, 08/20/04	100,000	100,000
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150,000

Statement of

Assets and Liabilities

As of June 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$24,365,849
Repurchase agreements, at value	3,302,431
Receivables:	
Fund shares sold	77,525
Interest	42,181
Prepaid expenses	+ 248
Total assets	27,788,234

Liabilities

Payables:	
Fund shares redeemed	106,565
Dividends to shareholders	8,841
Investment adviser and administrator fees	160
Transfer agent and shareholder service fees	157
Accrued expenses	+ 646
Total liabilities	116,369

Net Assets

Total assets	27,788,234
Total liabilities	– 116,369
Net assets	\$27,671,865

Net Assets by Source

Capital received from investors	27,671,968
Net realized capital losses	(103)

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Investor Shares	\$25,706,455		25,706,667		\$1.00
Select Shares	\$1,025,694		1,025,694		\$1.00
Institutional Shares	\$939,716		939,716		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost of the fund's securities was \$27,668,280. Includes illiquid restricted securities worth \$1,075,000, or 3.88% of the fund's total net assets. Also, includes other restricted but deemed liquid securities comprised of 144A, section 4(2) and 3c7 securities, worth \$9,977,509 or 36.06% of the fund's total net assets.

Federal Tax Data**Cost basis of portfolio** \$27,668,280**As of December 31, 2003:****Capital losses utilized** \$1**Unused capital losses:**Expires 12/31 of: Loss amount:
2005 \$103

Statement of

Operations

For January 1, 2004 through June 30, 2004; unaudited. All numbers x 1,000.

Investment Income

Interest	\$163,520
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Expenses

Investment adviser and administrator fees	47,146
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Transfer agent and shareholder service fees:	
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Investor Shares	29,622
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Select Shares	1,167
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Institutional Shares	1,124
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Trustees' fees	69
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Custodian and portfolio accounting fees	1,317
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Professional fees	57
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Registration fees	464
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Shareholder reports	183
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Other expenses	+	196
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Total expenses	81,345
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Expense reduction	-	17,673
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Net expenses	63,672
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Increase in Net Assets from Operations

Total investment income	163,520
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Net expenses	-	63,672
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Net investment income	99,848
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Increase in net assets from operations	\$99,848
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Unless stated, all numbers x 1,000.

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.05% of the fund's assets; for shareholder services 0.17% of the fund's assets. These fees are paid by Charles Schwab & Co.

For the fund's independent trustees only.

Includes \$16,070 from the investment adviser (CSIM) and \$1,603 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the operating expenses of this fund through April 30, 2005, as follows:

Share Class	% of Average Daily Net Assets
Investor Shares	0.45
Select Shares	0.35
Institutional Shares	0.24

This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.
Figures for the current period are unaudited.

Operations

	1/1/04-6/30/04	1/1/03-12/31/03
Net investment income	\$99,848	\$296,987
Net realized gains	—	1
Increase in net assets from operations	99,848	296,988

Distributions Paid

Dividends from net investment income		
Investor Shares	91,185	283,3030
Select Shares	4,121	6,346
Institutional Shares	+ 4,542	7,338
Total dividends from net investment income	99,848	296,987

Transactions in Fund Shares**Shares Sold**

Investor Shares	9,176,263	22,006,388
Select Shares	1,277,441	2,532,939
Institutional Shares	+ 1,731,374	2,319,828
Total shares sold	12,185,078	26,859,155

Shares Reinvested

Investor Shares	76,655	263,067
Select Shares	3,227	5,541
Institutional Shares	+ 3,390	6,123
Total shares reinvested	83,272	274,731

Shares Redeemed

Investor Shares	(12,406,907)	(32,136,966)
Select Shares	(1,267,865)	(1,525,589)
Institutional Shares	+ (1,515,531)	(2,126,860)
Total shares redeemed	(15,190,303)	(35,789,415)

Net transactions in fund shares	(2,921,953)	(8,655,529)
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Net Assets

Beginning of period	30,593,818	39,249,346
Total decrease	+ (2,921,953)	(8,655,528)
End of period	\$27,671,865	\$30,593,818

Unless stated, all numbers x 1,000.

The tax-basis components of distributions for the period ended 12/31/03 are:

Ordinary income	\$296,987
Long-term capital gains	\$—

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars. The fund started offering Select Shares on February 28, 2003.

Represents shares sold plus shares reinvested, minus shares redeemed.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Notes unaudited

Business Structure of the Funds

Each of the funds discussed in this report is a series of The Charles Schwab Family of Funds, a no-load, open-end management investment company. The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the funds in this report and their trust.

The Schwab Value Advantage Money Fund offers three share classes: Investor Shares, Select Shares and Institutional Shares. Shares of each class represent interests in the same portfolio, but each class has different expenses and investment minimums. The Schwab Money Market, Government Money and U.S. Treasury Money Funds each offers one share class.

Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

Fund Operations

Most of the funds' investments are described in the fund-by-fund sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the funds' business operations also are described here.

The funds declare dividends every day they are open for business. These dividends, which are equal to a fund's net investment income for that day, are paid out to shareholders once a month. The funds may make distributions from any net realized capital gains once a year.

The funds may buy securities on a delayed-delivery basis. In these transactions, a fund agrees to buy a security for a stated price, with settlement generally occurring

within two weeks. If the security's value falls before settlement occurs, a fund could end up paying more for the security than its market value at the time of settlement. The funds have set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

The funds may enter into repurchase agreements. In a repurchase agreement, a fund buys a security from another party (usually a financial institution) with the agreement that it be sold back in the future. The date, price and other conditions are all specified when the agreement is created. Any repurchase agreements with due dates later than seven days from issue dates may be subject to seven day put features for liquidity purposes.

The funds' repurchase agreements will be fully collateralized by U.S. government securities. All collateral is held by the funds' custodian (or, with tri-party agreements, the agent's bank) and is monitored daily to ensure that its market value is at least equal to the repurchase price under the agreement.

The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The funds discussed in this report are highlighted.

The Charles Schwab Family of Funds

organized October 20, 1989

Schwab Money Market Fund
Schwab Government Money Fund
Schwab U.S. Treasury Money Fund
Schwab Value Advantage Money Fund
 Schwab Municipal Money Fund
 Schwab California Municipal Money Fund
 Schwab New York Municipal Money Fund
 Schwab New Jersey Municipal Money Fund
 Schwab Pennsylvania Municipal Money Fund
 Schwab Florida Municipal Money Fund
 Schwab Massachusetts Municipal Money Fund
 Schwab Retirement Advantage Money Fund
 Schwab Retirement Money Fund
 Schwab Government Cash Reserves

The funds pay fees to affiliates of the investment adviser for various services. Through their trust, the funds have agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the funds that may limit the total expenses charged. The rates and limitations for these fees vary from fund to fund, and are described in each fund's Statement of Operations.

The funds may engage in certain transactions involving affiliates. The funds may make direct transactions with certain other SchwabFunds when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

Pursuant to an exemptive order issued by the SEC, the funds may enter into interfund borrowing and lending transactions within the SchwabFunds. All loans are for temporary or emergency purposes only. The interest rate charged on the loan is the average of the overnight repurchase agreement rate and the short-term bank loan rate. The interfund lending facility is subject to the oversight and periodic review of the Board of Trustees of the SchwabFunds.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund's Statement of Operations.

The funds may borrow money from banks and custodians. The funds may obtain temporary bank loans through the trust to which they belong, to use for meeting shareholder redemptions or for extraordinary or emergency purposes. The trusts have custodian overdraft facilities and line of credit arrangements of \$150 million and \$100 million with PNC Bank, N.A. and Bank of America, N.A., respectively. The funds pay interest on the amounts they borrow at rates that are negotiated periodically.

The funds intend to meet federal income and excise tax requirements for regulated investment companies. Accordingly, the funds distribute substantially all of their net investment income and net realized capital gains (if any) to their respective shareholders each year. As long as a fund meets the tax requirements, it is not required to pay federal income tax.

Under the funds' organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the funds. In addition, in the normal course of business the funds enter into contracts with their vendors and others that provide general indemnifications. The funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the funds. However, based on experience, the funds expect the risk of loss to be remote.

Accounting Policies

The following are the main policies the funds use in preparing their financial statements.

The funds value their securities at amortized cost, which approximates market value.

Security transactions are recorded as of the date the order to buy or sell the security is executed.

Interest income is recorded as it accrues. If a fund bought a debt security at a discount (that is, for less than its face value) or a premium (more than face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security's call date and price, rather than the maturity date and price.

Realized gains and losses from security transactions are based on the identified costs of the securities involved.

Expenses that are specific to a fund or a class are charged directly to that fund or class. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their average daily net assets.

For funds offering multiple share classes, all of the realized and unrealized gains or losses and net investment income, other than class specific expenses, are allocated daily to each class in proportion to its net assets.

Each fund maintains its own account for purposes of holding assets and accounting, and is considered a separate entity for tax purposes. Within its account, each fund also keeps certain assets in segregated accounts, as may be required by securities law.

The accounting policies described above conform with accounting principles generally accepted in the United States of America. Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

Fund Trustees unaudited

A fund’s Board of Trustees is responsible for protecting the interests of that fund’s shareholders. The tables below give information about the people who serve as trustees and officers for the SchwabFunds®, including the funds covered in this report. Trustees remain in office until they resign, retire or are removed by shareholder vote.¹

Under the Investment Company Act of 1940, any officer, director, or employee of Schwab or CSIM is considered an “interested person,” meaning that he or she is considered to have a business interest in Schwab or CSIM. These individuals are listed as “interested trustees.” The “independent trustees” are individuals who, under the 1940 Act, are not considered to have a business interest in Schwab or CSIM.

Each of the SchwabFunds® (of which there were 49 as of 6/30/04) belongs to one of these trusts: The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust or Schwab Annuity Portfolios. Currently all these trusts have the same trustees and officers. The address for all trustees and officers is 101 Montgomery Street, San Francisco, CA 94104. You can find more information about the trustees and officers in the Statement of Additional Information, which is available free by calling 1-800-435-4000.

Individuals Who Are Interested Trustees and Officers of the Trust

Name and Birthdate	Trust Position(s); Trustee Since	Main Occupations and Other Directorships and Affiliations
Charles R. Schwab ² 7/29/37	Chair, Trustee: Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, Director, The Charles Schwab Corp., Charles Schwab & Co., Inc. Charles Schwab Investment Management, Inc., Charles Schwab Holdings (UK); CEO, Director, Charles Schwab Holdings, Inc.; Chair, CEO Schwab (SIS) Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, Siebel Systems (software), Xsign, Inc. (electronic payment systems); Trustee, Stanford University. <i>Until 5/04:</i> Director, The Gap, Inc. (clothing retailer). <i>Until 2003:</i> Co-CEO, The Charles Schwab Corp. <i>Until 2002:</i> Director, Audiobase, Inc. (Internet audio solutions). <i>Until 5/02:</i> Director, Vodaphone AirTouch PLC (telecommunications). <i>Until 7/01:</i> Director, The Charles Schwab Trust Co.; TrustMark, Inc.

¹ The SchwabFunds retirement policy requires that independent trustees elected after January 1, 2000 retire at age 72 or after twenty years of service as a trustee, whichever comes first. Independent trustees elected prior to January 1, 2000 will retire on the following schedule: Messrs. Holmes and Dorward will retire on December 31, 2007, and Messrs. Stephens and Wilsey will retire on December 31, 2010.

² In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Mr. Schwab also own stock of The Charles Schwab Corporation.

Individuals Who Are Interested Trustees but Not Officers of the Trust

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Dawn G. Lepore ¹ 3/21/54	2003 (all trusts).	Vice Chair, The Charles Schwab Corp.; <i>Until 10/01</i> : CIO, The Charles Schwab Corporation. <i>Until 1999</i> : EVP, The Charles Schwab Corporation. Director, Wal-Mart Stores, eBay, Inc.

Individuals Who Are Officers of the Trust but Not Trustees

Name and Birthdate	Trust Office(s) Held	Main Occupations and Other Directorships and Affiliations
Randall W. Merk 7/25/54	President, CEO (all trusts).	President, CEO, Charles Schwab Investment Management, Inc.; EVP, Charles Schwab & Co., Inc.; Director, Charles Schwab Worldwide Funds PLC, Charles Schwab Asset Management (Ireland) Ltd. <i>Until 9/02</i> : President, CIO, American Century Investment Management; Director, American Century Cos., Inc. <i>Until 6/01</i> : CIO, Fixed Income, American Century Cos., Inc. <i>Until 1997</i> : SVP, Director, Fixed Income and Quantitative Equity Portfolio Management, Twentieth Century Investors, Inc.
Tai-Chin Tung 3/7/51	Treasurer, Principal Financial Officer (all trusts).	SVP, CFO, Charles Schwab Investment Management, Inc.; SVP, The Charles Schwab Trust Co.; Director, Charles Schwab Asset Management (Ireland) Ltd., Charles Schwab Worldwide Funds PLC.
Stephen B. Ward 4/5/55	SVP, Chief Investment Officer (all trusts).	SVP, Chief Investment Officer, Director, Charles Schwab Investment Management, Inc.; CIO, The Charles Schwab Trust Co.
Koji E. Felton 3/13/61	Secretary (all trusts).	SVP, Chief Counsel, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. <i>Until 6/98</i> : Branch Chief in Enforcement, U.S. Securities and Exchange Commission, San Francisco.

¹ In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Mr. Schwab also own stock of The Charles Schwab Corporation.

Individuals Who Are Independent Trustees

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Mariann Byerwalter 8/13/60	2000 (all trusts).	Chair, JDN Corp. Advisory LLC; Trustee, Stanford University, America First Cos., (venture capital/fund management), Redwood Trust, Inc. (mortgage finance), Stanford Hospitals and Clinics, SRI International (research), PMI Group, Inc. (mortgage insurance), Lucile Packard Children's Hospital, Laudus Trust, Laudus Variable Insurance Trust. <i>2001</i> : Special Advisor to the President, Stanford University. <i>Until 2002</i> : Director, LookSmart, Ltd. (Internet infrastructure). <i>Until 2001</i> : VP, Business Affairs, CFO, Stanford University.
Donald F. Dorward 9/23/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	CEO, Dorward & Associates (corporate management, marketing and communications consulting). <i>Until 1999</i> : EVP, Managing Director, Grey Advertising.
William A. Hasler 11/22/41	2000 (all trusts).	Co-CEO, Aphton Corp. (bio-pharmaceuticals). Trustee, Solectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Corp. (network equipment); Public Governor, Laudus Trust, Laudus Variable Insurance Trust; Member, executive committee, Pacific Stock & Options Exchange. <i>Until 2003</i> : Trustee, Tenera, Inc. (services and software). <i>Until 1998</i> : Dean, Haas School of Business, University of California, Berkeley.
Robert G. Holmes 5/15/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Director, Semloh Financial, Inc. (international financial services and investment advice).
Gerald B. Smith 9/28/50	2000 (all trusts).	Chair, CEO, Founder, Smith Graham & Co. (investment advisors); Trustee, Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products, tools and hardware); Member, audit committee, Northern Border Partners, L.P. (energy). <i>Until 2002</i> : Director, Pennzoil-Quaker State Co. (oil and gas).
Donald R. Stephens 6/28/38	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Managing Partner, D.R. Stephens & Co. (investments). <i>Until 1996</i> : Chair, CEO, North American Trust (real estate investment trust).
Michael W. Wilsey 8/18/43	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Wilsey Bennett, Inc. (transportation, real estate and investments).

Glossary

agency discount notes Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

Alternative Minimum Tax (AMT) A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

asset-backed securities Bonds or other debt securities that represent ownership in a pool of debt obligations such as credit card debt.

bond A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed income securities” or “debt securities.”

An individual bond is subject to the credit risk of the issuer. Changes in interest rates can affect a bond's market value prior to call or maturity. There is no guarantee that a bond's yield to call or maturity will provide a positive return over the rate of inflation.

bond fund A bond fund is subject to the same credit, interest rate, and inflation risks as bonds. In addition, a bond fund incurs ongoing fees and expenses. A bond fund's net asset value will fluctuate with the price of the underlying bonds and the portfolio turnover activity; return of principal is not guaranteed.

bond anticipation notes Obligations sold by a municipality on an interim basis in anticipation of the municipality's issuance of a longer-term bond in the future.

capital gain, capital loss The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

commercial paper Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but

sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

credit-enhanced securities Securities that are backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security's value, are designed to help lower the risk of default on a security and may also make the security more liquid.

credit quality The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

credit ratings Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

credit risk The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

ACES	Adjustable convertible extendable security
BAN	Bond anticipation note
COP	Certificate of participation
GAN	Grant anticipation note
GO	General obligation
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Board
IDRB	Industrial Development Revenue Bond
M/F	Multi-family
RAN	Revenue anticipation note
RB	Revenue bond
S/F	Single-family
TAN	Tax anticipation note
TECP	Tax-exempt commercial paper
TRAN	Tax and revenue anticipation note
VRD	Variable-rate demand

dollar-weighted average maturity (DWAM) See weighted average maturity.

effective yield A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

expense ratio The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

face value The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

illiquid securities Securities are generally considered illiquid if they cannot be disposed of promptly (typically within seven days) and in the ordinary course of business at approximately the amount at which a fund has valued the instruments.

interest Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

liquidity-enhanced security A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

maturity The date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

money market securities High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

muni, municipal bonds, municipal securities Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

net asset value per share (NAV) The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

outstanding shares, shares outstanding When speaking of a company or mutual fund, indicates all shares currently held by investors.

restricted securities Securities that are subject to contractual restrictions on resale and may be sold only to "qualified institutional buyers" under Securities Act Rule 144A. These securities are often purchased in private placement transactions.

revenue anticipation notes Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

section 3c7 securities Section 3c7 of the Investment Company Act of 1940 (the "1940 Act") exempts certain issuers from many regulatory requirements applicable to investment companies under the 1940 Act. An issuer whose outstanding securities are exclusively owned by "qualified purchasers" and who is not making or proposing to make a public offering of the securities may qualify for this exemption.

section 4(2)/144A securities Securities exempt from registration under Section 4(2) of the Securities Act of 1933. These securities may be sold only to qualified institutional buyers under Securities Act Rule 144A.

taxable-equivalent yield The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ($4.5\% \div [1 - 0.25\%] = 6.0\%$).

total return The percentage that an investor would have earned or lost on an investment in the fund assuming dividends and distributions were reinvested.

tax anticipation notes Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

Tier 1, Tier 2 Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

weighted average maturity For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

yield The income paid out by an investment, expressed as a percentage of the investment's market value.

Notes

Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a clearly defined investment approach and using disciplined management strategies. The list at right shows all currently available SchwabFunds®.

Whether you're an experienced investor or just starting out, SchwabFunds® can help you achieve your financial goals. An investor should consider a fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information can be found in the fund's prospectus. Please call 1-800-435-4000 for a prospectus and brochure for any SchwabFund®. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

Methods for Placing Orders

The following information outlines how Schwab investors can place orders. If you are investing through a third-party investment provider, methods for placing orders may be different.

Internet¹

www.schwab.com

Schwab by Phone™²

Use our automated voice service or speak to a representative. Call **1-800-435-4000**, day or night (for TDD service, call **1-800-345-2550**).

TeleBroker®

Automated touch-tone phone service at **1-800-272-4922**.

Mail

Write to SchwabFunds® at:

P.O. Box 3812

Englewood, CO 80155-3812

When selling or exchanging shares, be sure to include the signatures of at least one of the persons whose name is on the account.

Proxy Voting Policies and Procedures

A description of the proxy voting policies and procedures used to determine how to vote proxies on behalf of the funds is available without charge, upon request, by visiting Schwab's web site at www.schwab.com/schwabfunds, the SEC's web site at <http://www.sec.gov>, or by contacting SchwabFunds at 1-800-435-4000.

The SchwabFunds Family®

Stock Funds

Schwab S&P 500 Fund

Schwab 1000 Fund®

Schwab Small-Cap Index Fund®

Schwab Total Stock Market Index Fund®

Schwab International Index Fund®

Schwab Core Equity Fund™

Schwab Dividend Equity Fund™

Schwab Small-Cap Equity Fund™

Schwab Hedged Equity Fund™

Schwab Focus Funds

Communications Focus Fund

Financial Services Focus Fund

Health Care Focus Fund

Technology Focus Fund

Schwab MarketMasters Funds®

Schwab U.S. MarketMasters Fund™

Schwab Small-Cap MarketMasters Fund™

Schwab International MarketMasters Fund™

Schwab Balanced MarketMasters Fund™

Asset Allocation Funds

Schwab MarketTrack Portfolios®

Schwab MarketTrack All Equity Portfolio™

Schwab MarketTrack Growth Portfolio™

Schwab MarketTrack Balanced Portfolio™

Schwab MarketTrack Conservative Portfolio™

Bond Funds

Schwab YieldPlus Fund®

Schwab Short-Term Bond Market Fund™

Schwab Total Bond Market Fund™

Schwab GNMA Fund™

Schwab Short/Intermediate Tax-Free Bond Fund™

Schwab Long-Term Tax-Free Bond Fund™

Schwab California Short/Intermediate
Tax-Free Bond Fund™

Schwab California Long-Term Tax-Free Bond Fund™

Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.³ Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically, subject to availability, when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

¹ Shares of Sweep Investments™ may not be purchased directly over the Internet.

² Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

³ Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

Investment Adviser

Charles Schwab Investment Management, Inc.
101 Montgomery Street, San Francisco, CA 94104

Distributor

SchwabFunds®
P.O. Box 3812, Englewood, CO 80155-3812

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Schwab Municipal Money FundTM

Semiannual Report

June 30, 2004

charles SCHWAB

In This Report

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From the Chairman



Charles R. Schwab
Chairman

When I founded Schwab 30 years ago, our goal was to offer investors the highest quality brokerage services at the lowest possible price.

As the company evolved and our client base grew, we continued to offer products and services that were aligned with this vision. Whether it was on-line trading, a mutual fund supermarket, or specific funds that take advantage of new tax laws, we have a history of offering innovative products and services that are based on your investment needs.

Today, we continue to build on this heritage. More specifically, as we conceptualize, develop and analyze new products, we consistently question how our shareholders will benefit. We also research the ways in which the products are delivered, so we can continue to provide the products and services that will help you meet your financial goals. On the next page, Randy Merk, president of SchwabFunds®, elaborates on how some products may help to reduce your fund expenses.

On behalf of SchwabFunds®, I thank you for investing with us, and remind you that our commitment to our shareholders will never waver.

Sincerely,

A handwritten signature in black ink that reads "Charles R. Schwab". The signature is written in a cursive, flowing style.

Management's Discussion for the six months ended June 30, 2004



Randall W. Merk is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

To elaborate on Chuck Schwab's letter on the previous page, we not only listen to our shareholders' requests, we also try to anticipate your investing needs. Because we know that fees and expenses can reduce your mutual fund returns, we consistently look for ways that we can offer you a better value.

One way we can help you is by offering lower-priced share classes for some of the more popular SchwabFunds. Select Shares® and Value Advantage Shares™ are share classes that offer lower expense levels in exchange for higher investment minimums. I like to compare it to buying name-brand products in bulk from a warehouse-type store, rather than purchasing smaller quantities from the corner market. It's the same product but is less expensive when you can buy in bulk.

Our Value Advantage Shares, for example, are available for many of our money funds if you initially invest \$25,000 or more. The expense levels on these types of shares can be lower than what the Sweep Shares for the same fund carry.

This is why I encourage you to review your accounts to see if you are eligible to purchase these money-saving shares. If you would like to learn more about these potentially cost-saving shares, as well as which of our stock and bond funds offer Select Shares, our investment consultants are available to assist you.

Thank you for investing with us.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk". The signature is written in a cursive, flowing style.



Walter Beveridge, a portfolio manager, is responsible for day-to-day management of the fund. Prior to joining the firm in 1992, he worked for nearly ten years in asset management.

The Investment Environment and the Fund

The encouraging economic climate that was reported in late 2003 continued to improve into 2004. Businesses added to their inventories, factory orders rose amid the pick-up in capital spending and production gained some strength. Retail sales continued to rise, despite a pause in the upward trend in consumer confidence. Mortgage refinancing activity, while still significant, waned as mortgage rates inched slightly upward. The only big piece missing was job growth, which remained sluggish through the beginning of first quarter.

Amid this benign inflationary environment, the Federal Reserve (the Fed) elected to hold the Fed funds rate at a 45-year low in March to provide liquidity necessary to maintain economic growth. Job growth picked up strongly in March and continued into the second quarter. With the economic recovery now broad-based, investors, who only a year ago feared deflation, now started to worry about inflation. Most market watchers expected the Fed to raise interest rates, and it did at the end of June. At that time the Federal Open Market Committee increased the Fed funds target 0.25% to 1.25%, the first rate hike since May 2000, when the Fed funds target was raised to 6.50%.

For the first four months of the period, short-term muni yields were unchanged to lower. It wasn't until May and June that we saw a significant rise in yields as it appeared increasingly obvious that the Fed was going to tighten monetary policy. During the six-month period ending June 30, yields on the municipal money funds decreased by an average 0.07%. The weighted average maturities of our municipal money market funds during the report period were an average 15 days longer than our peers.

The fund purchased weekly variable-rate notes and commercial paper with maturities of less than six months during the first four months of the year, as they offered the best relative value while rates remained range bound. Just prior to the Fed tightening, fixed-rate notes with maturities from 6-13 months became very attractive, and we increased our holdings in them. The yield spread between one-year notes and three-month commercial paper widened to approximately 0.50% during this time, significantly higher than the 0.15% three-year average for this spread.

Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/04

Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yields include the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate.

	Sweep Shares	Value Advantage Shares	Select Shares	Institutional Shares
Seven-Day Yield ¹	0.47%	0.68%	0.78%	0.89%
Seven-Day Yield—No Waiver ²	0.31%	0.54%	0.54%	0.54%
Seven-Day Effective Yield ¹	0.47%	0.68%	0.78%	0.89%
Seven-Day Taxable-Equivalent Effective Yield ^{1,3}	0.72%	1.05%	1.20%	1.37%

The performance data quoted represents past performance. Past performance does not guarantee future results. Current performance may be lower or higher than performance data quoted. To obtain more current performance information, please visit www.schwab.com/schwabfunds.

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

Weighted Average Maturity	60 days
Credit Quality of Holdings % of portfolio	100% Tier 1
Credit-Enhanced Securities % of portfolio	69%

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

Portfolio holdings may have changed since the report date.

¹ Fund expenses have been partially absorbed by CSIM and Schwab.

² Yield if fund expenses had not been partially absorbed by CSIM and Schwab.

³ Taxable-equivalent effective yield assumes a 2004 maximum federal regular income tax rate of 35.00%. Investment income may be subject to the Alternative Minimum Tax.

Financial Statements

Financial Highlights

Sweep Shares	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	(0.00) ¹	0.01	0.02	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.00) ¹	(0.01)	(0.02)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.20 ²	0.46	0.91	2.23	3.53	2.70

Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.66 ³	0.66	0.66	0.66	0.67 ⁴	0.66
Gross operating expenses	0.81 ³	0.81	0.82	0.83	0.84	0.85
Net investment income	0.40 ³	0.46	0.90	2.21	3.47	2.67
Net assets, end of period (\$ x 1,000,000)	7,478	7,494	7,435	7,265	6,780	6,090

Value Advantage Shares	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.01	0.02	0.04	0.03
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.01)	(0.02)	(0.04)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.30 ²	0.68	1.12	2.45	3.75	2.91

Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.45 ³	0.45	0.45	0.45	0.46 ⁵	0.45
Gross operating expenses	0.58 ³	0.58	0.59	0.61	0.64	0.65
Net investment income	0.61 ³	0.68	1.11	2.35	3.70	2.89
Net assets, end of period (\$ x 1,000,000)	3,667	3,901	4,480	3,778	2,919	2,270

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratio of net operating expenses would have been 0.66% if certain non-routine expenses (proxy fees) had not been included.

⁵ The ratio of net operating expenses would have been 0.45% if certain non-routine expenses (proxy fees) had not been included.

Select Shares	1/1/04– 6/30/04*	6/2/03– 12/31/03
Per-Share Data (\$)		
Net asset value at beginning of period	1.00	1.00
Income from investment operations:		
Net investment income	0.00 ²	(0.00) ²
Less distributions:		
Dividends from net investment income	(0.00) ²	(0.00) ²
Net asset value at end of period	1.00	1.00
Total return (%)	0.35 ³	0.39 ³
Ratios/Supplemental Data (%)		
Ratios to average net assets:		
Net operating expenses	0.35 ⁴	0.35 ⁴
Gross operating expenses	0.58 ⁴	0.58 ⁴
Net investment income	0.71 ⁴	0.68 ⁴
Net assets, end of period (\$ x 1,000,000)	638	474
Institutional Shares	1/1/04– 6/30/04*	6/2/03– 12/31/03
Per-Share Data (\$)		
Net asset value at beginning of period	1.00	1.00
Income from investment operations:		
Net investment income	0.00 ²	(0.00) ²
Less distributions:		
Dividends from net investment income	(0.00) ²	(0.00) ²
Net asset value at end of period	1.00	1.00
Total return (%)	0.41 ³	0.45 ³
Ratios/Supplemental Data (%)		
Ratios to average net assets:		
Net operating expenses	0.24 ⁴	0.24 ⁴
Gross operating expenses	0.58 ⁴	0.58 ⁴
Net investment income	0.82 ⁴	0.80 ⁴
Net assets, end of period (\$ x 1,000,000)	1,248	718

* Unaudited.

¹ Commencement of operations.² Per-share amount was less than \$0.01.³ Not annualized.⁴ Annualized.

Portfolio Holdings as of June 30, 2004; unaudited

This section shows all the securities in the fund's portfolio and their value, as of the report date.

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security
- Tender option bond
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category		Cost (\$x1,000)	Value (\$x1,000)
104.3%	Municipal Securities	13,586,446	13,586,446
104.3%	Total Investments	13,586,446	13,586,446
(4.3)%	Other Assets and Liabilities		(553,985)
100.0%	Total Net Assets		13,032,461

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Municipal Securities 104.3% of net assets
Alabama 0.8%**Alabama IDA**

✦■ IDRB (Scientific Utilization) Series 1996 1.36%, 07/07/04	1,890	1,890
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Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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**Birmingham Special Care
Facilities Financing Auth**

✦■ Health Care Facility RB (Eastern Health System) Series 2003A 1.08%, 07/07/04	36,500	36,500
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Daphne Utilities Board

✦■ Water, Gas & Sewer Refunding RB Series 2000 1.08%, 07/07/04	8,100	8,100
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Decatur IDB

■ Exempt Facilities Refunding RB (Nucor Steel Decatur) Series 2003A 1.12%, 07/07/04	17,000	17,000
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Dothan IDB

✦■ IDRB (Baxley Blowpipe) Series 1997 1.58%, 07/07/04	300	300
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Ft Payne IDA

✦■ IDRB (Charleston Hosiery) Series 1997 1.22%, 07/07/04	1,000	1,000
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Hoover Board of Education

✦■ Capital Outlay TAN Series 2001 1.12%, 07/07/04	9,860	9,860
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Indian Springs Village

✦■ RB (Joseph Bruno Montessori Academy) Series 1999 1.19%, 07/07/04	1,255	1,255
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Scottsboro

✦■ School Warrants Series 1997 1.08%, 07/07/04	3,870	3,870
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Stevenson IDB

✦■ Environmental Improvement RB (Mead Corp) Series 1997 1.20%, 07/07/04	17,300	17,300
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Tuscaloosa Cnty

✦■ IDRB (Knight Specialties) Series 1998 1.24%, 07/07/04	940	940
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98,015

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Alaska 0.2%			Yavapai Cnty IDA		
Alaska HFC			+■ Hospital RB (Yavapai Regional Medical Center) Series 1997B 1.08%, 07/07/04		
+■ General Mortgage RB Series 1999A 1.12%, 07/07/04	21,805	21,805	14,350	14,350	
■ General Mortgage RB Series 2002A 1.14%, 07/07/04	5,995	5,995			40,960
Valdez			Arkansas 0.1%		
■ Marine Terminal Refunding RB (BP Pipelines) Series 2003B 1.10%, 07/01/04	800	800	Arkansas Development Finance Auth		
■ Marine Terminal Refunding RB (Exxon Pipeline Co) Series 1993A 0.98%, 07/01/04	200	200	+■ IDRB (C&C Holding Co) Series 1998 1.20%, 07/07/04		
		28,800	Independence Cnty		
			+■ IDRB (Ideal Baking Co) Series 1997 1.20%, 07/07/04		
			+■ IDRB (Townsend's) Series 1996 1.16%, 07/07/04		
			9,000	9,000	12,795
Arizona 0.3%			California 8.2%		
Arizona Health Facilities Auth			Access Loans For Learning Student Loan Corp		
+■ Hospital RB (Northern Arizona Healthcare System) Series 1996B 1.08%, 07/07/04	7,250	7,250	+■ Student Loan Program RB Senior Series II-A8 1.12%, 07/07/04		
+■ RB (Arizona Voluntary Hospital Federation Pooled Loan Program) Series 1985B 1.08%, 07/07/04	9,310	9,310	+■ Student Loan Program RB Senior Series II-A9 1.10%, 07/07/04		
Chandler IDA			+■ Student Loan Program RB Series II-A1 1.13%, 07/07/04		
+■ IDRB (South Bay Circuits) Series 1999A 1.25%, 07/07/04	1,300	1,300	+■ Student Loan Program RB Series II-A2 1.12%, 07/07/04		
Maricopa Cnty IDA			+■ Student Loan Program RB Series II-A3 1.13%, 07/07/04		
+■ M/F Mortgage Refunding RB (San Fernando Apts) Series 2004 1.13%, 07/07/04	7,750	7,750	Bay Area Toll Auth		
Phoenix Civic Improvement Corp			+■ San Francisco Bay Area Toll Bridge RB Series 2003C 1.06%, 07/07/04		
+■ Subordinated Excise Tax RB (Airport Improvements) Series 1995 1.07%, 07/07/04	1,000	1,000	California		
			+■ Economic Recovery Bonds Series 2004C-10 1.04%, 07/07/04		
			25,000	25,000	

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
➤■ Economic Recovery Bonds Series 2004C-11 1.03%, 07/07/04	122,000	122,000	Student Loan Senior Lien Refunding RB Series 1992 A-4		
➤■ Economic Recovery Bonds Series 2004C-15 1.07%, 07/07/04	110,000	110,000	+ 1.05%, 03/01/05	6,000	6,000
➤■ Economic Recovery Bonds Series 2004C-21 1.08%, 07/07/04	44,900	44,900	+ 1.15%, 03/01/05	10,725	10,725
California Dept of Water Resources			Los Angeles Cnty		
➤■ Power Supply RB Series 2002C-10 1.09%, 07/07/04	5,000	5,000	▲ TRAN Series 2004A 1.60%, 06/30/05	100,000	101,374
➤■ Power Supply RB Series 2002C-17 1.06%, 07/07/04	1,700	1,700	Los Angeles Convention & Exhibition Center Auth		
➤■ Power Supply RB Series 2002C-7 1.09%, 07/07/04	62,320	62,320	➤■ Refunding Lease RB Series 2003E 1.05%, 07/07/04	27,700	27,700
California HFA			Los Angeles Dept. of Water & Power		
➤■ Home Mortgage RB 2000 Series J 1.06%, 07/07/04	34,420	34,420	■ Power System RB Series 2001B-2 1.07%, 07/07/04	13,800	13,800
➤■ Home Mortgage RB 2000 Series N 1.06%, 07/07/04	4,200	4,200	Los Angeles Unified SD 2003-2004 TRAN Series A-2 1.15%, 07/01/04	10,000	10,000
➤■ Home Mortgage RB 2003 Series H 1.09%, 07/07/04	4,700	4,700	Sacramento Cnty		
■ M/F Housing RB III Series 2002 E 1.08%, 07/07/04	20,000	20,000	➤■ COP (Administration Center & Courthouse) Series 1990 1.06%, 07/07/04	16,000	16,000
■ S/F Mortgage RB Draw Down Series 2003B 1.17%, 07/07/04	4,580	4,580	San Bernardino Cnty		
California School Cash Reserve Program Auth			➤■ COP (Medical Center) Series 1998 1.02%, 07/07/04	2,000	2,000
+ Pool Bonds Series 2003A 1.15%, 07/06/04	50,000	50,006	San Francisco City & Cnty Redevelopment Agency		
+ ▲ Pool Bonds Series 2004A 1.60%, 07/06/05	100,000	101,377	➤■ Community Facilities District #4 RB (Mission Bay North) Series 2002-North 1.07%, 07/07/04	7,000	7,000
CHELA Financial			San Jose		
➤■ Student Loan RB Series 1987C 0.95%, 07/01/04	71,000	71,000	➤■ M/F Housing RB (Almaden Lake Village Apts) Series 1997A 1.07%, 07/07/04	4,500	4,500
			Santa Rosa		
			➤■ Wastewater Refunding RB Series 2004A 1.10%, 07/07/04	23,000	23,000

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Southern California Home Financing Auth			Colorado		
■ S/F Mortgage RB Draw Down Series 2002			▲ 2004 TRAN		
1.17%, 07/07/04	25,020	25,020	1.58%, 06/27/05	108,000	109,444
			1.60%, 06/27/05	38,400	38,923
Southern California Metropolitan Water District			Denver City & Cnty		
■ Water Refunding RB Series 2001 B-1			■ Airport System RB Series 1992F		
1.07%, 07/07/04	16,000	16,000	1.15%, 07/07/04	18,250	18,250
			■ Airport System RB Series 1992G		
		1,072,172	1.15%, 07/07/04	18,725	18,725
Colorado 3.6%			■ Airport System Refunding RB Series 2000B		
Arapahoe Cnty			1.14%, 07/07/04	10,000	10,000
■ Refunding IDRB (Denver Jetcenter) Series 1997			■ Airport System Refunding RB Series 2000C		
1.30%, 07/30/04	3,500	3,500	1.15%, 07/07/04	50,000	50,000
Arvada			■ Airport System Refunding RB Series 2001A		
■ Water Enterprise RB Series 2001			1.10%, 11/15/04	9,550	9,697
1.25%, 07/30/04	4,200	4,200	■ Refunding COP (Wellington E. Webb Municipal Office Building) Series 2003 C-3		
Colorado Housing & Finance Auth			1.06%, 07/07/04	20,000	20,000
■ Economic Development RB (Pemracs) Series 2000A			Lowry Economic Development Auth		
1.20%, 07/07/04	3,440	3,440	■ IDRB Series 2002B		
S/F Mortgage Class I Bonds Series 2003C4			1.06%, 07/07/04	14,140	14,140
1.18%, 11/01/04	5,000	5,000	■ Refunding RB Series 2002A		
S/F Mortgage Class I Bonds Series 2003C5			1.06%, 07/07/04	11,360	11,360
1.13%, 11/01/04	13,000	13,000	Regional Transportation District		
■ S/F Program Senior Bonds Series 1995D			■ Subordinate Lien Sales Tax Revenue TECP Series 2001A		
1.23%, 07/07/04	1,295	1,295	1.18%, 08/16/04	7,500	7,500
Colorado Student Loan Auth			Westminster Economic Development Auth		
■ Senior Lien Student Loan RB Series 1999A-2			■ Tax Increment RB (Westminster Plaza) Series 1997A		
1.10%, 07/07/04	28,400	28,400	1.25%, 07/07/04	6,430	6,430
■ Senior Lien Student Loan RB Series 1999A-3					466,904
1.10%, 07/07/04	29,800	29,800	Delaware 1.2%		
■ Student Loan Program Senior Bonds Series 1990A			Delaware Economic Development Auth		
1.08%, 07/07/04	14,400	14,400	■ RB (Hospital Billing & Collection Service) Series 1985		
■ Student Loan RB Series 1989A			1.02%, 07/07/04	51,235	51,235
1.10%, 07/07/04	49,400	49,400			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+►■ RB (Hospital Billing & Collection Service) Series 1985C 1.02%, 07/07/04	60,300	60,300	Florida 4.4%		
New Castle Cnty			Brevard Cnty Educational Facilities Auth		
+■ Airport Facility RB (Flightsafety International) Series 2002 1.15%, 07/07/04	16,600	16,600	+■ RB (Florida Institute of Technology Project) Series B 1.08%, 07/07/04	10,000	10,000
Sussex Cnty			Brevard Cnty HFA		
+■ IDRB (Perdue-Agrirecycle) Series 2000 1.16%, 07/07/04	5,300	5,300	+■ M/F Housing Refunding RB (Shore View Apts) Series 1995 1.05%, 07/07/04	1,900	1,900
+■ RB (Baywood) Series 1997A 1.30%, 07/07/04	2,400	2,400	Broward Cnty		
Wilmington			+►■ Subordinate Port Facilities Refunding RB (Port Everglades) Series 1998 1.15%, 07/07/04	5,100	5,100
+■ RB (Delaware Art Museum) Series 2003 1.05%, 07/07/04	21,800	21,800	Broward Cnty Educational Facilities Auth		
		157,635	+■ Educational Facilities RB (Nova Southeastern University) Series 2000A 1.08%, 07/07/04	11,200	11,200
District of Columbia 1.4%			+■ Educational Facilities RB (Nova Southeastern University) Series 2004A 1.10%, 07/01/04	4,000	4,000
District of Columbia			Broward Cnty HFA		
+■ Enterprise Zone RB (Crowell & Moring) Series 2001 1.13%, 07/07/04 Fiscal Year 2004 GO TRAN 1.12%, 09/30/04	3,700 125,000	3,700 125,271	+■ M/F Housing RB (Landings of Inverrary Apts) 1985 Series 1.10%, 07/07/04	7,500	7,500
+►■ GO Bonds Series 2003D-3 1.05%, 07/07/04 GO Refunding Bonds Series 1999B 1.12%, 07/07/04	20,000 14,640	20,000 14,640	+■ M/F Housing Refunding RB (Island Club Apts) Series 2001A 1.10%, 07/07/04	3,000	3,000
+►■ 1.12%, 07/07/04	6,215	6,215	+■ M/F Housing Refunding RB (Water's Edge) Series 1997 1.08%, 07/07/04	400	400
+■ RB (American Psychological Assn) Series 2003 1.13%, 07/07/04	2,755	2,755	+■ M/F Housing Variable Rate Demand RB (Sanctuary Apts) 1985 Series 1.10%, 07/07/04	9,000	9,000
+■ RB (Arnold & Porter) Series 1999 1.16%, 07/07/04	2,700	2,700	Charlotte Cnty		
Washington DC Metropolitan Area Transit Auth			+►■ Refunding RB, Series 2003A 1.08%, 07/07/04	12,405	12,405
+►■ Gross Revenue Transit Refunding Bonds Series 2003 1.25%, 10/27/04	8,360	8,360			
		183,641			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
➤■ Refunding RB, Series 2003B 1.08%, 07/07/04	2,700	2,700	➤■ M/F Housing Refunding RB (Reflections Apts) Series 2001 K-A 1.08%, 07/07/04	12,500	12,500
Charlotte Cnty HFA			➤■ M/F Housing Refunding RB 1998 Series J (South Pointe) 1.06%, 07/07/04	5,500	5,500
➤■ M/F Housing RB Series 2000 (Murdock Circle Apartments) 1.11%, 07/07/04	10,340	10,340	➤■ M/F Mortgage RB 2003 Series N (Pinnacle Pointe Apts) 1.11%, 07/07/04	7,915	7,915
Collier Cnty HFA			➤■ M/F Mortgage RB 2003 Series P (Wexford Apts) 1.11%, 07/07/04	7,500	7,500
➤■ M/F Housing RB, Series 2001A (Brittany Bay Apts) 1.06%, 07/07/04	3,350	3,350	➤■ M/F Mortgage Refunding RB 2002 Series J-1 (Victoria Park Apts) 1.08%, 07/07/04	8,900	8,900
Collier Cnty IDA			➤■ RB 1999 Series I-1 (Heritage Pointe Apts) 1.10%, 07/07/04	5,300	5,300
➤■ Educational Facilities RB (Community School of Naples) Series 2002 1.08%, 07/07/04	7,950	7,950	➤■ RB 1999 Series P (Timberline Apts) 1.06%, 07/07/04	6,135	6,135
Dade Cnty			Florida Local Government Finance Commn		
➤■ Water and Sewer System RB Series 1994 1.05%, 07/07/04	4,625	4,625	➤ Pooled TECP Series 1994A 1.00%, 08/12/04	4,200	4,200
Eustis			Greater Orlando Aviation Auth		
➤■ RB, Installment 1997A 1.08%, 07/07/04	3,560	3,560	➤■ Airport Facilities RB Series 2002E 1.06%, 07/07/04	34,430	34,430
Florida HFA			Gulf Breeze		
➤■ Housing RB (Ashley Lake Park II) Series 1989J 1.06%, 07/07/04	13,530	13,530	➤■ Local Government Loan Program RB Series 1985B 1.08%, 07/07/04	17,840	17,840
➤■ Housing RB 1996 Series F (Caribbean Key Apts) 1.10%, 07/07/04	3,400	3,400	➤■ Local Government Loan Program RB Series 1985E 1.08%, 07/07/04	3,505	3,505
➤■ Housing RB Series 1996P (Tiffany Club Apts) 1.10%, 07/07/04	5,820	5,820	Halifax Hospital Medical Center		
➤■ Housing RB Series 1996U (Heron Park) 1.06%, 07/07/04	3,800	3,800	➤■ RB (Florida Health Care Plan) Series 1998 1.06%, 07/07/04	5,200	5,200
➤■ M/F Guaranteed Mortgage RB 1983 Series K (Oaks At Regency) 1.06%, 07/07/04	6,925	6,925	Hillsborough Cnty Educational Facilities Auth		
➤■ M/F Housing RB 1985 Series MM (Buena Vista Place) 1.00%, 07/07/04	10,000	10,000	➤■ RB (Univ of Tampa) Series 2000 1.13%, 07/07/04	5,600	5,600
➤■ M/F Housing RB 1985 Series XX (Cameron Cove Apts) 1.55%, 07/07/04	2,100	2,100			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Jacksonville Economic Dev Comm			Orange Cnty Health Finance Auth		
+■ Educational Facilities RB (Episcopal High School) Series 2002 1.05%, 07/07/04	5,600	5,600	Refunding Program RB (Pooled Hospital Loan) Series 1985 + 0.98%, 07/22/04 + 1.15%, 09/23/04	14,000 17,500	14,000 17,500
Jacksonville Electric Auth			Orange Cnty HFA		
■• Electric System RB Series Three 2000A 1.12%, 07/07/04	3,580	3,580	+■ Housing Refunding RB (Highland Pointe Apts) Series 1998J 1.08%, 07/07/04	7,455	7,455
Jacksonville Health Facilities Auth			+■ M/F Housing RB (West Pointe Villas Apts) Series 2000F 1.13%, 07/07/04	5,750	5,750
+■ Health Facilities RB (River Garden/The Coves) Series 1994 1.14%, 07/07/04	3,415	3,415	+■ M/F Housing Refunding RB (Andover Place Apts) Series 1998F 1.08%, 07/07/04	7,770	7,770
Lakeland			+■ M/F Housing Refunding RB (Smokewood/Sun Key Apts) 1992 Series A 1.06%, 07/07/04	13,000	13,000
+■ Educational Facilities RB (Florida Southern College) Series 1999 1.08%, 07/07/04	12,900	12,900	+■ M/F Housing Refunding RB 2001 Series E (Heather Glen Apts) 1.03%, 07/07/04	11,900	11,900
Lee Cnty HFA			Orange Cnty IDA		
+■ M/F Housing RB Series 2002A (University Club Apts) 1.12%, 07/07/04	6,500	6,500	+■ Educational Facilities RB (UCF Hospitality School Student Housing Foundation) Series 2004 1.05%, 07/07/04	9,000	9,000
Manatee Cnty HFA			+■ RB (Center For Drug Free Living) Series 1999 1.09%, 07/07/04	9,095	9,095
+■ M/F Housing RB Series 2000A (Sabal Palm Harbor Apts) 1.11%, 07/07/04	4,200	4,200	Orlando & Orange Cnty Expressway Auth		
Miami-Dade Cnty Expway Auth			+ Expressway Refunding RB Series 2003A 0.94%, 07/01/04	3,455	3,455
+ Toll System TECP 0.95%, 07/27/04	15,000	15,000	+■ Expressway Refunding RB Series 2003C-2 1.06%, 07/07/04	4,500	4,500
Miami-Dade Cnty IDA			+■ Refunding RB Series 2003 C-4 1.06%, 07/07/04	14,330	14,330
+■ IDRB (Airbus Service Co) Series 1998A 1.22%, 07/07/04	1,225	1,225			
+■ IDRB (Airis Miami LLC) Series 1999A 1.10%, 07/07/04	4,900	4,900			
Nassau Cnty					
+■ Pollution Control Private Activity RB Series 1999 (Rayonier) 1.40%, 07/07/04	7,665	7,665			
Okeechobee Cnty					
+■ Exempt Facility RB (Okeechobee Landfill) Series 1999 1.17%, 07/07/04	7,000	7,000			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Orlando Utilities Commission			Tampa		
■ Water & Electric RB Series 2002B 1.08%, 07/07/04	1,800	1,800	■ Health Care Facilities RB (Lifelink Foundation) Series 1997 1.08%, 07/07/04	4,500	4,500
Palm Beach Cnty			■ RB (Tampa Preparatory School) Series 2000 1.08%, 07/07/04	11,000	11,000
■ Economic Development Refunding & Improvement RB (YMCA) Series 2003 1.09%, 07/07/04	13,700	13,700	Tampa Bay Water Utility		
■ RB (Comprehensive Alcoholism Rehabilitation Programs) Series 2000 1.09%, 07/07/04	5,100	5,100	■ Utility System RB Series 2002 1.15%, 07/07/04	7,000	7,000
Pasco Cnty SD			Volusia Cnty Educational Facilities Auth		
■ COP Series 1996 1.08%, 07/07/04	20,000	20,000	■ Educational Facilities RB (Bethune-Cookman College Project) Series 2001 1.05%, 07/07/04	9,200	9,200
Pinellas Cnty Educational Facilities Auth			574,845		
■ RB (Canterbury School) Series 2000 1.06%, 07/07/04	2,040	2,040	Georgia 4.6%		
■ RB (Shorecrest Preparatory School) Series 2001 1.06%, 07/07/04	1,000	1,000	Atlanta		
Pinellas Cnty IDA			■ Airport General Refunding RB Series 2000A 1.16%, 07/07/04	11,195	11,195
■ RB (Pact) Series 2003 1.08%, 07/07/04	8,100	8,100	■ Airport General Refunding RB Series 2000C 1.18%, 07/07/04	3,385	3,385
Pinellas Cnty Industry Council			■ Airport General Refunding RB Series 2003RF-B1 1.08%, 07/07/04	73,330	73,330
■ RB (Operation Par) Series 1999 1.14%, 07/07/04	4,980	4,980	■ Airport General Refunding RB Series 2003RF-C2 1.08%, 07/07/04	16,710	16,710
Santa Rosa Cnty			■ Airport General Refunding RB Series 2003RF-D 1.18%, 07/07/04	6,180	6,180
■ Health Facilities RB (Baptist Hospital) Series 2003 1.08%, 07/07/04	7,905	7,905	Atlanta Urban Residential Finance Auth		
Southeast Volusia Hospital District			■ M/F Housing RB (Brentwood Creek Apts) Series 1999 1.16%, 07/07/04	4,525	4,525
■ RB (Bert Fish Medical Center) Series 1995 1.16%, 07/07/04	8,250	8,250	■ M/F Housing RB (Brentwood Meadows Apts) Series 1999 1.16%, 07/07/04	2,935	2,935
Tallahassee-Leon Cnty Civic Center Auth			■ M/F Housing RB (Brentwood Village Apts) Series 1999 1.16%, 07/07/04	5,940	5,940
■ Capital Improvement RB Series 1998A 1.08%, 07/07/04	13,400	13,400			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ ■ M/F Housing RB (Carver Redevelopment Phase III) Series 2001 1.13%, 07/07/04	3,500	3,500	Cobb Cnty Housing Auth		
+ ■ M/F Housing RB (Delmonte/ Brownlee Court), Series 2001A 1.16%, 07/07/04	4,600	4,600	+ ■ M/F Housing RB (Walton Green Apts) Series 1995 1.17%, 07/07/04	13,500	13,500
+ ■ M/F Housing RB (M St Apts) Series 2003 1.18%, 07/07/04	7,000	7,000	+ ■ M/F Housing RB (Woodchase Village Apt) Series 2003 1.16%, 07/07/04	4,000	4,000
+ ■ M/F Housing RB (Peaks at West Atlanta Apts) Series 2001 1.13%, 07/07/04	5,000	5,000	+ ■ M/F Housing Refunding RB (Walton Park Apts) Series 2000 1.12%, 07/07/04	21,100	21,100
+ ■ M/F Senior Housing RB (Big Bethel Village) Series 2001 1.13%, 07/07/04	4,500	4,500	Columbus Development Auth		
Augusta Housing Auth			+ ■ RB (Foundation Properties) Series 2000 1.11%, 07/07/04	3,900	3,900
+ ■ M/F Housing RB (G-Hope) Series 2001 1.16%, 07/07/04	3,800	3,800	+ ■ RB (Foundation Properties) Series 2002 1.11%, 07/07/04	11,430	11,430
Bartow Cnty			Columbus Housing Auth		
+ ■ IDRB (Bartow Paving Co) Series 1998 1.22%, 07/07/04	1,800	1,800	+ ■ M/F Housing RB (Eagles Trace Apts) Series 2002 1.13%, 07/07/04	6,400	6,400
+ ■ IDRB (CW Matthews Contracting Co) Series 1997 1.15%, 07/07/04	800	800	Crisp Cnty - Cordele IDA		
Cartersville Development Auth			+ ■ RB (Georgia Ductile) Series 2000 1.17%, 07/07/04	12,700	12,700
+ ■ IDRB (Cartersville Facilities) Series 1998 1.22%, 07/07/04	2,000	2,000	Dalton Development Auth		
Cherokee Cnty			+ ■ Revenue Certificates (Hamilton Health Care System) Series 2003B 1.08%, 07/07/04	15,750	15,750
+ ■ IDRB (Universal Alloy Corp) Series 1996 1.17%, 07/07/04	2,300	2,300	Dawson Cnty		
Clayton Cnty Development Auth			+ ■ IDRB (World Wide Mnfg) Series 1998 1.22%, 07/07/04	2,200	2,200
+ ■ IDRB (Wilson Holdings) Series 1998 1.21%, 07/07/04	600	600	Dekalb Cnty Development Auth		
+ ■ Special Facilities RB (Delta Air Lines) Series 2000C 1.13%, 07/07/04	19,500	19,500	+ ■ RB (Arbor Montessori School) Series 1998 1.08%, 07/07/04	1,100	1,100
Clayton Cnty Housing Auth			Dekalb Cny Housing Auth		
+ ■ M/F Housing RB (Hyde Park Club Apts) Series 1997 1.11%, 07/07/04	12,095	12,095	+ ■ M/F Housing RB (Brittany Apts) Series 2001 1.13%, 07/07/04	8,000	8,000
			+ ■ M/F Housing RB (Eagles Trace Apts) Series 1996 1.10%, 07/07/04	8,850	8,850

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ ■ M/F Housing RB (Mountain Crest Apts) Series 2002 1.13%, 07/07/04	7,915	7,915	Gordon Cnty Development Auth + ■ RB (Constantine Dyeing) Series 2001 1.13%, 07/07/04	4,150	4,150
+ ■ M/F Housing RB (Villas of Friendly Heights Apts) Series 2001 1.16%, 07/07/04	3,575	3,575	Gwinnett Cnty Housing Auth + ■ M/F Housing RB (Post Court) Series 1998 1.05%, 07/07/04	5,000	5,000
+ ■ M/F Housing RB (Wesley Club Apts) Series 2002 1.13%, 07/07/04	5,970	5,970	Hart Cnty + ■ Refunding RB & IDRB (Dundee Mills) Series 1994 1.16%, 07/07/04	2,115	2,115
Douglas Cnty IDA + ■ IDRB (Blue Circle Aggregates) Series 1997 1.15%, 07/07/04	3,800	3,800	Houston Cnty Development Auth + ■ IDRB (Douglas Asphalt Co) Series 2000 1.16%, 07/07/04	1,800	1,800
Effingham Cnty IDA + ■ RB (TEMCOR) Series 2001 1.16%, 07/07/04	3,685	3,685	Jefferson Cnty Dev Auth + ■ IDRB (Grove River Mills) Series 1997 1.22%, 07/07/04	1,800	1,800
Fayette Cnty Dev Auth + ■ Educational Facilities RB (Catholic School Properties) Series 1999 1.09%, 07/07/04	10,100	10,100	Laurens Cnty Development Auth + ■ Solid Waste Disposal RB (Southeast Paper Mnfg Co) Series 1993 1.16%, 07/07/04	25,000	25,000
Forsyth Cnty Dev Auth + ■ Economic Development RB (Federal Road) Series 2001 1.13%, 07/07/04	7,000	7,000	+ ■ Solid Waste Disposal RB (Southeast Paper Mnfg Co) Series 1997 1.08%, 07/07/04	26,000	26,000
Fulton Cnty Dev Auth + ■ RB (Atlanta International School) Series 1997 1.08%, 07/07/04	2,600	2,600	Lawrenceville Housing Auth + ■ M/F Housing RB (Chatham Club Apts) Series 2002 1.16%, 07/07/04	7,700	7,700
+ ■ RB (Robert W. Woodruff Arts Center) Series 2004A 1.05%, 07/07/04	10,000	10,000	Lowndes Cnty Development Auth + ■ M/F Housing RB (FMPH Valdosta Partnership) Series 1999 1.16%, 07/07/04	4,840	4,840
+ ■ RB (Robert W. Woodruff Arts Center) Series 2004B 1.05%, 07/07/04	16,000	16,000	Macon-Bibb Cnty Hospital Auth + ■ Revenue Anticipation Certificates (Medical Center of Central Georgia) Series 1998 1.08%, 07/07/04	4,000	4,000
+ ■ RB (Trinity School) Series 2001 1.08%, 07/07/04	7,000	7,000			
Gainesville Redevelopment Auth + ■ Educational Facilities RB (Riverside Military Academy) Series 1999 1.09%, 07/07/04	29,800	29,800			
Georgia + ■ GO Bonds Series 1998B 1.14%, 07/07/04	20,245	20,245			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Miller Cnty Development Auth			Webster Cnty IDA		
➤■ IDR B (Birdsong Corp) Series 2000 1.16%, 07/07/04	2,700	2,700	➤■ IDR B (Tolleson Lumber Co) Series 1999 1.17%, 07/07/04	4,800	4,800
Pike Cnty Development Auth			Whitfield Cnty Dev Auth		
➤■ IDR B (Southern Mills) Series 2003 1.22%, 07/07/04	4,000	4,000	➤■ RB (Product Concepts Residential) Series 2001 1.13%, 07/07/04	720	720
Roswell Housing Auth			Winder-Barrow Cnty Joint Development Auth		
➤■ M/F Housing Refunding RB (Wood Crossing) Series 1994 1.09%, 07/07/04	11,650	11,650	➤■ Solid Waste Disposal RB (Republic Services) Series 2002 1.13%, 07/07/04	8,000	8,000
Savannah Economic Development Auth			Winder-Barrow Industrial Building Auth		
➤■ Exempt Facility RB (Georgia Kaolin Terminal) Series 1997 1.15%, 07/07/04	11,000	11,000	➤■ IDR B (Progress Container Corp) Series 2000 1.16%, 07/07/04	2,605	2,605
➤■ Exempt Facility RB (Home Depot) Series 1995B 1.16%, 07/07/04	5,000	5,000	Worth Cnty		
➤■ First Mortgage RB (Marshes of Skidaway Island) Series 2003C 1.15%, 07/07/04	15,000	15,000	➤■ Refunding IDR B (Seabrook Peanut Co) Series 1996B 1.16%, 07/07/04	1,300	1,300
Savannah Housing Auth			602,995		
➤■ M/F Housing RB (Indigo Pointe Apts) Series 2001A-1 1.16%, 07/07/04	3,500	3,500	Hawaii 0.7%		
➤■ M/F Housing RB (Live Oak Plantation Apts) Series 2001A-1 1.16%, 07/07/04	2,500	2,500	Hawaii		
Summerville Development Auth			➤■ Special Purpose Refunding RB Series 2000 (Hawaiian Electric Co) 1.17%, 07/07/04	9,095	9,095
➤■ Exempt Facility RB (Image Industries) Series 1997 1.17%, 07/07/04	11,000	11,000	Hawaii Airports System		
Thomasville Hospital Auth			➤ Airport System RB Series 2003 1.00%, 07/07/04	25,000	25,000
➤■ Revenue Anticipation Certificates (John D. Archbold Memorial Hospital) Series 2003 1.05%, 07/07/04	5,900	5,900	➤■ Airport System Refunding RB Series 2000B 1.18%, 07/07/04	2,215	2,215
Walton Cnty Development Auth			Hawaii Housing Finance & Development Corp		
➤■ RB (Tucker Door & Trim Corp) Series 2000 1.26%, 07/07/04	2,600	2,600	➤■ S/F Mortgage Purchase RB Series 1997I 1.23%, 07/07/04	4,060	4,060
			Hawaii, state of		
			➤■ GO Bonds of 2002 Series CZ 1.12%, 07/07/04	5,900	5,900

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Honolulu City & County			■ IDRB (Morse Automotive Corp)		
GO Bonds Series 2001C			Series 1995		
■ 1.18%, 12/02/04	16,700	16,700	1.13%, 07/07/04	1,400	1,400
■ 1.18%, 12/02/04	16,600	16,600	■ Midway Airport RB Series		
■ GO Bonds Series 2003A			1998C		
1.14%, 07/07/04	14,995	14,995	1.14%, 07/07/04	24,480	24,480
		94,565	■ RB (Homestart Program) Series		
			2000A		
			1.18%, 07/07/04	6,000	6,000
			■ Second Lien Water RB Series		
			2000		
			1.03%, 07/07/04	2,000	2,000
			■ Senior Lien Water RB Series		
			2000		
			1.14%, 07/07/04	12,975	12,975
			Chicago Board of Education		
			■ Unlimited Tax GO Bonds Series		
			1997		
			1.13%, 07/07/04	7,120	7,120
			Chicago O'Hare International		
			Airport		
			■ General Airport Second Lien RB		
			Series 1988B		
			1.06%, 07/07/04	12,600	12,600
			■ General Airport Second Lien RB		
			Series 1994B		
			1.09%, 07/07/04	41,484	41,484
			■ General Airport Third Lien		
			Refunding RB Series 2003 A-2		
			1.18%, 07/07/04	5,295	5,295
			■ General Airport Third Lien		
			Refunding RB Series 2003		
			B-2		
			1.15%, 07/07/04	10,800	10,800
			■ Second Lien Passenger Facility		
			Charge RB Series 2001A		
			1.17%, 07/07/04	11,070	11,070
			■ Second Lien Passenger Facility		
			Charge RB Series 2001A		
			1.18%, 07/07/04	6,315	6,315
			■ Special Facilities RB (O'Hare		
			Tech Center II) Series 2002		
			1.16%, 07/07/04	15,500	15,500
			■ Special Facility Refunding RB		
			(Lufthansa German Airlines)		
			Series 2001		
			1.10%, 07/07/04	43,770	43,770

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Chicago Park District			➔■● Gas Supply Refunding RB		
Corporate Purpose Tax			Series 2003E (People's Gas)		
Anticipation Warrants Series			1.21%, 07/07/04	14,995	14,995
2004A			➔■ IDRB (Arc-Tronics) Series 1999		
1.55%, 05/01/05	16,000	16,191	1.10%, 07/07/04	1,990	1,990
Dupage Cnty			➔■ IDRB (Camcraft Inc) Series		
➔■ RB (Morton Arboretum) Series			1993		
2003			1.30%, 07/07/04	2,200	2,200
1.08%, 07/07/04	10,000	10,000	➔■ IDRB (Plano Molding Co) Series		
East Dundee, Kane & Cook			1990		
Counties			1.25%, 07/07/04	4,300	4,300
➔■ IDRB (Otto Engineering) Series			➔■ IDRB (Radiological Society of		
1998			North America) Series 1997		
1.16%, 07/07/04	1,860	1,860	1.11%, 07/07/04	3,480	3,480
Elmhurst			➔■ IDRB (Rich Graphics Corp)		
➔■ IDRB (Elm Machining Corp)			Series 1996		
Series 1997			1.28%, 07/07/04	2,335	2,335
1.28%, 07/07/04	1,880	1,880	➔■ Qualified Residential Rental		
Hampshire			Bonds (River Oaks) Series		
➔■ IDRB (Poli-Film America) Series			1989		
1998A			1.10%, 07/07/04	32,000	32,000
1.20%, 07/07/04	3,200	3,200	➔■ RB (Francis W. Parker School)		
Illinois			Series 1999		
➔■● Civic Center Bonds Series 1991			1.04%, 07/07/04	2,500	2,500
1.18%, 07/07/04	2,940	2,940	➔■ RB (Aurora Central Catholic		
GO Bonds Illinois First Series			High School) Series 1994		
2000			1.35%, 07/07/04	1,000	1,000
➔■● 1.12%, 07/07/04	5,000	5,000	➔■ RB (Carmel High School) Series		
➔■● 1.14%, 07/07/04	14,000	14,000	2003		
➔■● GO Bonds Illinois First Series			1.10%, 07/07/04	3,200	3,200
2002			➔■ RB (Catholic Charities Housing		
1.14%, 07/07/04	14,125	14,125	Development Corp) Series		
➔ GO Bonds Series 1994			1993A		
0.83%, 08/01/04	3,860	3,954	1.25%, 07/07/04	9,160	9,160
■ GO Bonds Series 2003B			➔■ RB (Catholic Charities Housing		
1.06%, 07/07/04	5,000	5,000	Development Corp) Series 1993B		
GO Certificates Series June of			1.25%, 07/07/04	910	910
2004			➔■ RB (Chicago Academy of		
1.19%, 10/22/04	50,000	50,124	Sciences) Series 1997		
1.20%, 10/22/04	48,000	48,118	1.10%, 07/07/04	2,615	2,615
Illinois Development Finance			➔■ RB (Chicago Academy of		
Auth			Sciences) Series 1998		
➔■ Development RB (Korex Corp)			1.10%, 07/07/04	5,700	5,700
Series 1990			➔■ RB (Chicago Horticultural		
1.20%, 07/07/04	4,000	4,000	Society) Series 1999		
			1.10%, 07/07/04	18,000	18,000
			➔■ RB (Lake Forest Academy)		
			Series 1994		
			1.10%, 07/07/04	4,000	4,000

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
➤■ RB (Loyola Academy) Series 2001 1.10%, 07/07/04 ➤■ RB (McCormick Theological Seminary) Series 2001B 1.10%, 07/07/04 ➤■ RB (Perspectives Charter School) Series 2003 1.08%, 07/07/04 ➤■ RB (Presbyterian Home Lake Forest Place) Series 1996A 1.10%, 07/07/04 ➤■ RB (Presbyterian Homes Two Arbor Lane) Series 2001 1.10%, 07/07/04 ➤■ RB (Rest Haven Convalescent Home) Series 1997 1.66%, 07/07/04 ➤■ RB (Sacred Heart Schools) Series 2003 1.10%, 07/07/04 ➤■ RB (Slovak American Charitable Assn) Series 2000 1.10%, 07/07/04 ➤■ RB (St. Ignatius College Prep) Series 2002 1.10%, 07/07/04 ➤■ RB (St. Ignatius College) Series 1994 1.10%, 07/07/04 ➤■ RB (Wheaton Academy) Series 1998 1.10%, 07/07/04 ➤■ Residential Rental RB (FC Harris Pavilion) Series 1994 1.06%, 07/07/04 ➤■ Water Facilities Refunding RB (Illinois-American Water Co) Series 2002 1.13%, 07/01/04	10,000 12,500 5,500 7,000 9,000 7,000 4,600 7,815 2,800 2,200 9,000 7,200 5,000	10,000 12,500 5,500 7,000 9,000 7,000 4,600 7,815 2,800 2,200 9,000 7,200 5,000	Illinois Health Facilities Auth ➤■ RB (Bensenville Home Society) Series 1989A 1.10%, 07/07/04 ➤■ RB (Ingalls Health System) Series 1994 1.12%, 07/07/04 ➤■ RB (Villa St. Benedict) Series 2003B 1.16%, 07/07/04 ➤■ RB (Washington & Jane Smith Home) Series 1991 1.10%, 07/07/04 Illinois Housing Development Auth ■ Homeowner Mortgage Revenue Notes Series 2004 B-2 1.04%, 04/01/05 ➤■ M/F Mortgage Refunding RB (Hyde Park Tower Apts) Series 2000A 1.10%, 07/07/04 Illinois Student Assistance Commission ➤■ Student Loan RB Series 1996A 1.10%, 07/07/04 Lombard ➤■ Refunding IDRB (B&H Partnership) Series 1995 1.48%, 07/07/04 Metropolitan Pier & Exposition Auth ➤■ McCormick Place Expansion & Refunding Bonds Series 1999A-C 1.14%, 07/07/04 ➤■ McCormick Place Expansion Refunding Bonds Series 1996A 1.15%, 12/15/04 ➤■ McCormick Place Expansion Refunding Bonds Series 1998A 1.14%, 07/07/04 ➤■ McCormick Place Expansion Refunding Bonds Series 2002B 1.12%, 07/07/04	2,050 18,305 10,250 2,800 14,000 4,500 7,600 1,850 9,790 5,000 14,355 18,490	2,050 18,305 10,250 2,800 14,000 4,500 7,600 1,850 9,790 5,110 14,355 18,490
Illinois Education Facility Auth ➤■ RB (Chicago Historical Society) Series 1989 1.05%, 07/07/04 ➤■ RB (Shedd Aquarium) Series 1997 1.12%, 07/07/04	7,800 2,000	7,800 2,000			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Oak Forest			Yorkville		
➤■ RB (Homewood) Series 1989 1.08%, 07/07/04	10,000	10,000	➤■ IDRB (FE Wheaton & Co) Series 1996 1.28%, 07/07/04	950	950
Orland Park			872,081		
➤■ IDRB (Orland Properties) Series 1986A 1.45%, 07/07/04	750	750	Indiana 1.4%		
Palatine			Elkhart Cnty		
➤■ Special Facility Limited Obligation RB (Little City for Community Development) Series 1998 1.10%, 07/07/04	4,000	4,000	➤■ Economic Development RB (West Plains Apts) Series 1998A 1.15%, 07/07/04	1,850	1,850
Regional Transportation Auth			Gary Redevelopment District		
GO Refunding Bonds Series 1999			➤■ Economic Growth RB Series 2001A 1.14%, 07/07/04	5,670	5,670
➤■ 1.14%, 07/07/04	12,055	12,055	Indiana Development Finance		
➤■ 1.14%, 07/07/04	9,730	9,730	Auth		
Richton Park			➤■ IDRB (Big Sky Park) Series 1999 1.16%, 07/07/04	5,200	5,200
➤■ IDRB (Avatar Corp) Series 1997 1.22%, 07/07/04	1,800	1,800	➤■ IDRB (Cives Corp) Series 1998 1.17%, 07/07/04	7,150	7,150
Rockford			Indiana Health Facilities		
➤■ IDRB (Ring Can Corp) Series 1998 1.16%, 07/07/04	1,220	1,220	Financing Auth		
➤■ IDRB (Rockford Industrial Welding Supply) Series 1996 1.28%, 07/07/04	2,000	2,000	➤■ Insured RB Series 1985A 1.05%, 07/07/04	4,400	4,400
Tinley Park			RB (Ascension Health Credit Group) Series 2001A-2 0.98%, 07/02/04	45,000	45,000
➤■ IDRB (Beverly Mnfg Co) Series 1997A 1.33%, 07/07/04	2,165	2,165	■ RB (Ascension Health) Series 2001-A-3 1.60%, 03/01/05	16,000	15,942
University of Illinois			■ RB (Ascension Health) Series 2001-A-4 1.60%, 03/01/05	20,000	19,927
➤■ Auxiliary Facilities RB Series 1999A 1.12%, 07/07/04	3,500	3,500	Indiana HFA		
■ COP (Utility Infrastructure) Series 2004 1.06%, 07/07/04	10,000	10,000	■ S/F Mortgage RB Series 1998 D-2 1.23%, 07/07/04	9,995	9,995
Will-Kankakee Regional			■ S/F Mortgage RB Series 2000 B-2 1.25%, 07/07/04	6,255	6,255
Development Auth			Indianapolis		
➤■ IDRB Series 2002 (Toltec Steel Services) Series 2002 1.19%, 07/07/04	7,390	7,390	➤■ M/F Housing RB (Nora Pines Apts) Series 2001 1.13%, 07/07/04	5,500	5,500

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Thermal Energy System RB Series 2001A 1.14%, 07/07/04	9,900	9,900	Iowa Student Loan Liquidity Corp Student Loan RB Series 1988B 1.10%, 07/07/04	46,500	46,500
Indianapolis Airport Auth + Subordinate TECP Notes 1.08%, 08/11/04	8,750	8,750			145,309
Marion + Economic Development RB (Indiana Wesleyan Univ) Series 2000 1.05%, 07/07/04	7,500	7,500	Kansas 0.6% Kansas Dept of Transportation Highway RB Series 1999 1.14%, 07/07/04	37,500	37,500
St Joseph Cnty + Economic Development RB (Corby Apts) Series 1997B 1.20%, 07/07/04	3,430	3,430	Wichita + Airport Facilities Refunding RB (Cessna Citation Service Center) 1997 Series III 1.10%, 07/07/04	11,245	11,245
+ Economic Development RB (Pin Oaks Apts) Series 1997A 1.20%, 07/07/04	1,000	1,000	+ Airport Facility Refunding & Improvement RB (Flightsafety Intl) 1999 Series II 1.15%, 07/07/04	26,170	26,170
+ Economic Development RB (Western Manor Apts) Series 1997C 1.20%, 07/07/04	2,130	2,130			74,915
University of Southern Indiana + Auxiliary System RB Series 2001B 1.06%, 07/07/04	10,600	10,600	Kentucky 0.9% Elizabethtown + IDRB (ALTEC) Series 1997 1.16%, 07/07/04	3,000	3,000
Vigo Cnty + Economic Development RB (Sisters of Providence) Series 2001 1.19%, 07/07/04	3,500	3,500	Jefferson Cnty + M/F Housing Refunding RB (Camden Brookside Apts) Series 2002 1.13%, 07/07/04	8,900	8,900
		173,699	+ Sports Stadium RB (Univ of Louisville Athletic Assn) Series 1997 1.23%, 07/07/04	3,500	3,500
Iowa 1.1% Iowa Higher Education Loan Auth + Private College Facility RB (Graceland Univ) Series 2003 1.13%, 07/07/04	2,000	2,000	Kentucky Higher Education Student Loan Corp + Insured Student Loan RB Series 1991E 1.06%, 07/07/04	12,600	12,600
+ Private College Facility RB (St Ambrose University) Series 2003 1.08%, 07/01/04	495	495	+ Insured Student Loan RB Series 1996A 1.06%, 07/07/04	23,850	23,850
Iowa School Corporations + Cash Anticipation Program Warrant Certificates 2004-2005 Series A 1.59%, 06/30/05	95,000	96,314	Kentucky Housing Corp. Housing RB Series 1998F 1.23%, 07/07/04	19,320	19,320
			Housing RB Series 1999H 1.17%, 07/07/04	9,685	9,685

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
■ Housing RB Series 2002A 1.20%, 07/07/04 Louisville & Jefferson Cnty Metropolitan Sewer District	5,480	5,480	Lake Charles Harbor & Terminal District		
+ Sewage & Drainage System RB Series 1999A 1.14%, 07/07/04 Louisville & Jefferson Cnty Visitors & Convention Comm	6,115	6,115	+ Dock & Wharf RB (Conoco Inc) Series 2000 1.11%, 07/07/04	10,500	10,500
+ Dedicated Tax Refunding RB (Kentucky International Convention Center Expansion) Series 2004B 1.05%, 07/07/04 Richmond	15,175	15,175	Louisiana Local Government Environmental Facilities & Community Development Auth		
+ IDRB (Mikron) Series 1995 1.12%, 07/07/04 Wickliffe	7,175	7,175	+ RB (University of Louisiana Monroe Facilities) Series 2004A 1.00%, 07/07/04	8,000	8,000
+ Pollution Control & Solid Waste Disposal Refunding RB (Westvaco Corp) Series 2001 1.05%, 07/07/04	4,250	4,250	Louisiana Offshore Terminal Auth		
		119,050	+ Deepwater Port Refunding RB First State Series 1992A 1.08%, 07/07/04	10,000	10,000
Louisiana 1.8%			+ Deepwater Port Refunding RB Series 2003B 1.08%, 07/07/04	5,700	5,700
Calcasieu Parish IDB			Louisiana Public Facility Auth		
+ Refunding IDRB (Weingarten Realty Investors) Series 1995 1.13%, 07/07/04	1,990	1,990	+ Lease Purchase RB Series 2003 1.13%, 07/07/04	20,000	20,000
Ernest N. Morial - New Orleans Exhibit Hall Auth.			+ RB (Tiger Athletic Foundation) Series 2004 1.15%, 07/07/04	24,000	24,000
+ Senior Subordinate Special Tax Bonds Series 2003A 1.14%, 07/07/04	4,995	4,995	New Orleans		
Lafayette Parish IDB			Sewerage Service BAN Series 2003		
+ Refunding IDRB (Westwood Village) Series 1995 1.13%, 07/07/04	3,735	3,735	1.12%, 08/01/04	50,000	50,037
Lafayette Public Power Auth			New Orleans Aviation Board		
+ Electric Refunding RB Series 2003A&B 1.14%, 07/07/04	5,310	5,310	+ Refunding Bonds Series 1993B 1.08%, 07/07/04	5,160	5,160
			Ouachita Parish IDB		
			+ IDRB (Sulzer Escher Wyss) Series 1989 1.17%, 07/07/04	1,500	1,500
			Parish of East Baton Rouge, IDB, Louisiana		
			+ Solid Waste Disposal RB (Georgia-Pacific Corp) Series 2004 1.17%, 07/07/04	7,100	7,100

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
St James Parish			Maryland Energy Financing Administration		
Pollution Control Refunding RB (Texaco) Series 1988A 1.12%, 07/13/04	36,500	36,500	+■ Limited Obligation Local District Cooling Facilities RB (Comfort Link) Series 2001 1.13%, 07/07/04	10,000	10,000
Pollution Control Refunding RB (Texaco) Series 1988B 1.12%, 07/13/04	44,030	44,030	Maryland Health & Higher Educational Facilities Auth		
		238,557	+■ RB (University of Maryland Medical System) Series 2004A 1.08%, 07/07/04	10,000	10,000
Maine 0.5%			Maryland State Economic Development Corp		
Maine			+■ IDRB (Dixon Valve & Coupling Co) Series 1998 1.19%, 07/07/04	1,815	1,815
2004 GO TAN 1.59%, 06/30/05	52,000	52,720	Montgomery County Housing Opportunities Comm		
Maine Finance Auth			S/F Mortgage RB 2004 Series C 1.10%, 03/08/05	24,840	24,840
+■ RB (Jackson Laboratory) Series 2002 1.13%, 07/07/04	5,900	5,900	S/F Mortgage RB 2004 Series D 1.15%, 03/08/05	3,985	3,985
Maine Housing Auth					122,975
■ Mortgage Purchase Bonds Series 2002 F-2 1.18%, 07/07/04	5,020	5,020	Massachusetts 6.1%		
		63,640	Amesbury		
Maryland 1.0%			BAN 1.02%, 02/13/05	10,170	10,212
Anne Arundel Cnty			Bedford		
■ TECP GO BAN Series A 1.10%, 10/18/04	7,000	7,000	BAN 1.14%, 02/18/05	11,526	11,661
■ TECP GO BAN Series B 1.10%, 10/18/04	5,000	5,000	Chicopee		
Baltimore Cnty			2003 BAN 1.18%, 11/19/04	26,536	26,619
■ Consolidated Public Improvement TECP Series 2002 1.03%, 08/13/04	18,000	18,000	Clinton		
Howard Cnty			BAN Series 2004 1.07%, 02/04/05	20,000	20,110
+■ M/F Housing Refunding RB (Sherwood Crossing Apts) Series 2003 1.08%, 07/07/04	10,000	10,000	Dighton-Rehoboth Regional SD		
Maryland Community Development Administration			BAN Series R-1 1.64%, 06/03/05	17,500	17,717
■ S/F Program Bonds 1999 Third Series 1.23%, 07/07/04	32,335	32,335	Duxbury		
			BAN 1.12%, 01/14/05	15,511	15,584

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Easton			Massachusetts Bay Transit Auth		
BAN			➔■ General Transportation System		
1.60%, 06/10/05	19,094	19,298	Bonds Series 1999A		
Everett			1.09%, 07/07/04	9,000	9,000
BAN 2003			Massachusetts Development		
1.07%, 09/10/04	30,000	30,039	Finance Agency		
Foxborough			➔■ M/F Housing RB Salem Heights		
BAN			Apts Series 2003A		
1.63%, 06/16/05	21,235	21,459	1.08%, 07/07/04	12,000	12,000
Gateway Regional SD			➔■ RB (Brandon Residential		
BAN			Treatment Center) Series		
1.22%, 02/10/05	12,092	12,222	2003		
Haverhill			1.08%, 07/07/04	2,290	2,290
➔ BAN			➔■ RB (FIBA Technologies) Series		
1.20%, 04/01/05	3,000	3,023	2003		
Hudson			1.13%, 07/07/04	2,200	2,200
BAN			➔■ RB Assumption College Issue,		
1.27%, 05/13/05	25,419	25,795	Series 2002A		
Marion			1.05%, 07/07/04	14,800	14,800
▲ BAN			➔■ RB Boston University Issue		
1.68%, 07/15/05	2,000	2,026	Series R-3		
Marlborough			1.08%, 07/07/04	5,400	5,400
BAN			➔■ RB Dean College Issue, Series		
1.60%, 06/16/05	11,359	11,509	1999		
Masconomet Regional SD			1.08%, 07/07/04	2,860	2,860
BAN			➔■ RB Judge Rotenberg Center		
1.10%, 02/10/05	10,000	10,054	Issue, Series 2003		
1.12%, 02/10/05	7,000	7,037	1.04%, 07/07/04	11,815	11,815
Massachusetts			➔■ RB Wentworth Institute of		
GO Bonds Consolidated Loan			Technology Issue, Series 2000		
Series 1999C			1.08%, 07/07/04	6,800	6,800
1.10%, 09/01/04	1,900	1,912	➔■ RB You Inc. Issue Series 2002		
➔■ GO Bonds Consolidated Loan			1.04%, 07/07/04	4,200	4,200
Series 2001D			Massachusetts Health &		
1.13%, 07/07/04	2,785	2,785	Educational Facilities Auth		
■ GO Refunding Bonds 1998			➔■ RB (Capital Assets Program)		
Series A			Series 1985D		
1.08%, 07/07/04	14,600	14,600	1.06%, 07/01/04	1,200	1,200
■ GO Refunding Bonds Series			■ RB (Williams College) Series I		
2001B			1.05%, 04/01/05	15,000	15,000
1.11%, 07/07/04	10,000	10,000	➔■ RB Baystate Medical Center		
■ GO Refunding Bonds Series			Issue Series D		
2001C			1.13%, 07/07/04	13,300	13,300
1.11%, 07/07/04	10,700	10,700	➔■ RB Hallmark Health System		
			Issue Series 1998B		
			1.06%, 07/07/04	10,100	10,100
			■ RB Series K MIT Issue		
			1.13%, 07/07/04	6,710	6,710

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
RB Sherrill House Issue, Series A-1 1.06%, 07/07/04	2,700	2,700	Peabody BAN 1.09%, 02/11/05	38,825	39,041
Massachusetts HFA Housing Bonds Series 2003F 1.02%, 07/07/04	19,700	19,700	BAN Series 2003 1.05%, 10/01/04	6,000	6,014
S/F Housing Notes Series Q 1.02%, 12/01/04	5,000	5,000	Ralph C. Mahar Regional SD BAN 1.69%, 07/14/05	20,000	20,258
Massachusetts IFA RB Whitehead Institute For Biomedical Research - 1995 Issue 1.02%, 07/07/04	2,200	2,200	Tewksbury BAN 1.12%, 02/18/05	21,827	21,948
Massachusetts Turnpike Auth Metropolitan Highway System Subordinate RB Series 1999A 1.08%, 07/07/04	7,110	7,110	Waltham BAN 1.09%, 02/01/05	56,150	56,448
Massachusetts Water Pollution Abatement Trust Water Pollution Abatement RB (MWRA) Subordinate Series 1999A 1.09%, 07/07/04	1,500	1,500	Weston BAN 1.09%, 02/11/05	30,393	30,562
Medford BAN 2003 1.10%, 09/10/04 1.15%, 09/10/04	7,000 15,000	7,012 15,024	Weymouth BAN 1.02%, 03/10/05 1.46%, 03/10/05	25,000 10,000	25,125 10,105
Medway Unlimited Tax BAN 1.04%, 03/18/05	15,000	15,101	Whitman-Hanson Regional SD BAN 1.04%, 01/14/05	13,100	13,202
Mendon-Upton Regional SD BAN 2004 1.24%, 04/28/05	29,500	29,923	Williamstown Unlimited Tax BAN 1.37%, 05/05/05	6,900	6,994
Millbury BAN 1.45%, 01/21/05	3,200	3,210	Woburn BAN 1.19%, 04/08/05	22,000	22,094
Natick BAN 1.09%, 04/29/05	12,900	12,996			794,340
New Bedford BAN 1.14%, 02/25/05	12,950	13,022	Michigan 6.3% Allen Park Public Schools Unlimited Tax School Building Bonds Series 2003 1.14%, 07/07/04	7,760	7,760
Old Rochester Regional SD Unlimited Tax BAN 2003 1.18%, 10/15/04	6,000	6,014	Ann Arbor Economic Development Corp Limited Obligation Refunding RB (Glacier Hills) Series 2000B 1.17%, 07/07/04	9,015	9,015
			Limited Obligation RB (Glacier Hills) Series 2000A 1.17%, 07/07/04	12,985	12,985

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Detroit			GO School Loan Bonds Series		
➤■ Sewage Disposal System RB Series 1999A 1.14%, 07/07/04	34,650	34,650	2004A 1.10%, 12/01/04	25,000	25,000
➤■ Sewage Disposal System Second Lien RB Series 2001B 1.16%, 07/07/04	4,260	4,260	Michigan Higher Education Student Loan Auth		
➤■ Water Supply System Refunding Second Lien RB Series 2004-A 1.09%, 07/07/04	75,000	75,000	➤■ Student Loan RB 1990 Series XII-D 1.10%, 07/07/04	14,600	14,600
➤■ Water Supply System Refunding Second Lien RB Series 2004-B 1.09%, 07/07/04	32,000	32,000	Michigan Hospital Financing Auth		
➤■ Water Supply System Refunding Senior Lien RB Series 2003D 1.05%, 07/07/04	11,900	11,900	➤■ Hospital Refunding RB (Crittenton Hospital Medical Center) Series 2003A 1.11%, 07/01/04	7,900	7,900
Detroit City SD			➤■ RB (Martin Luther Memorial Home) Series 1997 1.10%, 07/07/04	7,760	7,760
➤■ School Building & Site Improvement Bonds Series 2001A 1.16%, 07/07/04	4,620	4,620	Michigan Housing Development Auth		
Georgetown Economic Development Corp			➤■ S/F Mortgage RB Series 2001A 1.17%, 07/07/04	3,630	3,630
➤■ Limited Obligation RB (Sunset Manor) Series 2000 1.17%, 07/07/04	9,030	9,030	■ S/F Mortgage RB Series 2002D 1.20%, 12/15/04	9,000	9,000
Grand Rapids Economic Development Corp			Michigan State Building Auth		
➤■ Refunding RB (Amway Hotel Corp) Series 1991A 1.13%, 07/07/04	8,755	8,755	➤■ TECP Series 4 1.15%, 09/09/04	94,445	94,445
Macomb Cnty Hospital Finance Auth			Michigan Strategic Fund		
➤■ Hospital Refunding RB (Mt Clemens General Hospital) Series 2003 A-1 1.19%, 07/01/04	21,650	21,650	➤■ Limited Obligation RB (Advance Plastics Corp) Series 1996 1.23%, 07/07/04	1,830	1,830
➤■ Hospital Refunding RB (Mt Clemens General Hospital) Series 2003 A-2 1.26%, 07/01/04	9,500	9,500	➤■ Limited Obligation RB (American Cancer Society) Series 2000 1.13%, 07/07/04	4,445	4,445
Michigan			➤■ Limited Obligation RB (EPI Printers) Series 1997 1.23%, 07/07/04	960	960
GO Notes Series 2004A 0.98%, 09/30/04	60,000	60,152	➤■ Limited Obligation RB (Mans) Series 1991 1.23%, 07/07/04	630	630
			➤■ Limited Obligation RB (Mans) Series 1998B 1.23%, 07/07/04	1,175	1,175

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
■ Limited Obligation RB (Mechanics Uniform Rental Co) Series 1995 1.23%, 07/07/04	1,000	1,000	Minnesota 1.2% Bloomington Port Auth ■ Special Tax Refunding RB (Mall of America) Series 1999B 1.15%, 07/07/04	8,500	8,500
■ Limited Obligation RB (Orchestra Place Renewal) Series 2000 1.18%, 07/07/04	15,000	15,000	Dakota Cnty Community Development Agency ■ S/F Mortgage RB Draw Down Series 2002 1.18%, 07/07/04	6,170	6,170
■ Limited Obligation RB (United Machining) Series 1998 1.23%, 07/07/04	4,000	4,000	■ S/F Mortgage Refunding RB Series 2003 1.05%, 08/01/04	10,000	10,000
■ Limited Obligation Refunding RB (Detroit Edison Co) Series 2003A 1.18%, 07/07/04	5,995	5,995	Eden Prairie ■ M/F Housing RB (Eden Prairie Leased Housing Associates I) Series 2003A 1.25%, 07/07/04	6,000	6,000
Michigan Trunk Line Fund ■ State Trunk Line Fund Refunding Bonds Series 1998A 1.11%, 07/07/04	46,666	46,666	Hennepin Cnty ■ GO Refunding Bonds Series 1996C 1.25%, 07/07/04	2,050	2,050
Oakland Cnty ■ Limited Obligation RB (Husky Envelope Products) Series 1999 1.23%, 07/07/04	2,360	2,360	Hennepin Cnty Housing & Redevelopment Auth ■ M/F Housing Refunding RB (Stone Arch Apts) Series 2002 1.15%, 07/07/04	2,800	2,800
■ Limited Obligation RB Series 2000 (Pontiac Vision 2000 Schools) Series 2000 1.13%, 07/07/04	9,400	9,400	Mendota Heights ■ Refunding IDRB (Dakota Business Plaza) Series 2000 1.35%, 07/07/04	2,300	2,300
Wayne Cnty ■ Airport RB (Detroit Metropolitan Wayne Cnty Airport) Junior Lien Series 2001 1.11%, 07/07/04	81,975	81,975	Minneapolis ■ RB (Guthrie Theater) Series 2003A 1.08%, 07/07/04	18,000	18,000
■ Airport RB (Detroit Metropolitan Wayne Cnty Airport) Series 2002A 1.10%, 07/07/04	136,770	136,770	Minneapolis-St Paul Metropolitan Airports Commission ■ Airport RB Series 2000B 1.18%, 07/07/04	5,225	5,225
■ Airport Refunding RB (Detroit Metropolitan Wayne County Airport) Series 1996B 1.10%, 07/07/04	48,590	48,590	■ Subordinate Revenue TECP Series B 1.20%, 09/07/04	17,500	17,500
		824,408			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Minnesota Agricultural & Economic Development Brd			Mississippi Home Corp		
➤■ RB (Evangelical Lutheran Good Samaritan Society) Series 1996			➤■ S/F Mortgage RB Series 1997C		
1.15%, 07/07/04	7,400	7,400	1.23%, 07/07/04	5,065	5,065
Minnesota HFA			Mississippi Hospital Equipment & Facilities Auth		
■ Residential Housing Finance Bonds Series 2000M-1			➤■ RB (Baptist Memorial Hospital) Series 2001		
1.20%, 12/23/04	10,000	10,000	1.10%, 07/07/04	16,320	16,320
➤■ Residential Housing Finance Bonds Series 2003B			54,975		
1.10%, 07/07/04	4,300	4,300	Missouri 0.1%		
■ Residential Housing Finance Bonds Series 2003F			Clay Cnty IDA		
1.00%, 07/22/04	33,840	33,840	➤■ IDRB (KS Salad Real Estate) Series 1999		
Minnesota Higher Education Facilities Auth			1.23%, 07/07/04	6,000	6,000
➤■ RB (Univ of St. Thomas) Series 4-O			Missouri Development Finance Board		
1.08%, 07/07/04	9,700	9,700	➤■ IDRB (Milbank Mnfg Co) Series 1997		
➤■ RB (Univ of St. Thomas) Series 5-I			1.27%, 07/07/04	3,000	3,000
1.08%, 07/07/04	3,800	3,800	St. Louis IDA		
St Louis Park			➤■ IDRB (Kessler Container) Series 1997A		
➤■ M/F Housing RB (Park) Series 2002A			1.15%, 07/07/04	2,000	2,000
1.20%, 07/07/04	3,300	3,300	Washington IDA		
150,885			➤■ IDRB (Pauwels Transformers) Series 1995		
Mississippi 0.4%			1.39%, 07/07/04	2,800	2,800
Mississippi			13,800		
➤■ GO Refunding Bonds Series 2001			Montana 0.3%		
1.14%, 07/07/04	14,880	14,880	Montana Health Facilities Auth		
Mississippi Business Finance Corp			➤■ Health Care RB (Pooled Loan Program) Series 1985A		
➤■ IDRB (Electric Mills Wood Preserving) Series 1999			1.10%, 07/07/04	3,155	3,155
1.21%, 07/07/04	5,000	5,000	Nebraska 0.3%		
➤■ IDRB (Omega Motion) Series 1996			Dodge Cnty		
1.17%, 07/07/04	4,500	4,500	➤■ IDRB (Oilgear Co) Series 1997		
➤■ IDRB (VC Regional Assembly & Mnfg) Series 2003			1.33%, 07/07/04	1,110	1,110
1.12%, 07/07/04	9,210	9,210	Nebraska Investment Finance Auth		
			➤■ S/F Housing RB Series 1998G		
			1.23%, 07/07/04	10,735	10,735
			➤■ S/F Housing RB Series 1999E		
			1.17%, 07/07/04	1,465	1,465

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Stanton Cnty					
■ IDRB (Nucor Corp) Series 1996 1.12%, 07/07/04	19,300	19,300	■ Multi-unit Housing RB (Silver Terrace Apts) Series 2003A 1.10%, 07/07/04	5,150	5,150
		32,610	■ Multi-unit Housing RB (St Rose Seniors Apts) Series 2002A 1.10%, 07/07/04	14,770	14,770
Nevada 1.2%			■ Multi-unit Housing RB Series 1989A 1.06%, 07/07/04	5,000	5,000
Clark Cnty			Washoe Cnty		
➔■ Airport System Refunding RB Series 1993A 1.06%, 07/07/04	14,300	14,300	➔■ GO Convention Center Refunding Bonds Series 2001A 1.12%, 07/07/04	21,000	21,000
➔■ Airport System Subordinate Lien RB Series 1995 A-2 1.06%, 07/07/04	1,200	1,200			156,390
■ Airport System Subordinate Lien RB, Series 1999B-1 1.10%, 07/07/04	11,860	11,860	New Hampshire 0.8%		
■ Economic Development RB (Univ. of Nevada, Las Vegas Foundation) Series 1999 1.10%, 07/07/04	470	470	New Hampshire Business Finance Auth		
■ IDRB (Southwest Gas Corp) Series 2003A 1.10%, 07/07/04	12,500	12,500	■ Solid Waste Disposal RB (Lonza Biologics) Series 2003 1.17%, 07/07/04	30,000	30,000
Clark Cnty SD			New Hampshire Health & Educational Facilities Auth		
➔■ GO (Limited Tax) Building Bonds Series 2001F 1.12%, 07/07/04	21,715	21,715	➔■ RB (Dartmouth-Hitchcock Obligated Group) Series 2001A 1.04%, 07/07/04	50,000	50,000
Nevada Housing Division			■ RB (Riverwoods) Series 2003 1.10%, 07/07/04	8,850	8,850
■ Multi-Unit Housing Refunding RB (Oakmont) Series 2002 1.10%, 07/07/04	4,350	4,350	New Hampshire HFA		
■ Multi-unit Housing RB (Apache Pines Apts) Series 1999A 1.10%, 07/07/04	7,415	7,415	➔■ S/F Mortgage Acquisition RB Series 1997C 1.23%, 07/07/04	2,425	2,425
■ Multi-unit Housing RB (Banbridge Apts) Series 2000A 1.10%, 07/07/04	3,960	3,960	➔■ S/F Mortgage Acquisition RB Series 1998B 1.23%, 07/07/04	9,995	9,995
■ Multi-unit Housing RB (Bluffs Apts) Series 2002A 1.10%, 07/07/04	17,850	17,850			101,270
■ Multi-unit Housing RB (City Center) Series 2000A 1.10%, 07/07/04	9,350	9,350	New Jersey 0.3%		
■ Multi-unit Housing RB (Silver Pines Apts) Series 2002A 1.10%, 07/07/04	5,500	5,500	Englewood		
			▲ BAN 1.63%, 07/08/05	23,750	24,069

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
New Jersey Economic Development Auth			Long Island Power Auth		
➤■ Economic Development RB (ENCAP Golf Holdings) Series 2004 1.08%, 07/07/04	45	45	➤■ Electric System RB Series 1998A 1.14%, 07/07/04	10,970	10,970
New Jersey Health Care Facilities Financing Auth			➤■ Electric System Subordinated RB 1998 Series 7B 1.00%, 07/07/04	1,700	1,700
➤■ RB Series 2004 A-4 1.04%, 07/07/04	2,000	2,000	Metropolitan Transportation Auth		
New Jersey Housing & Mortgage Finance Agency			➤■ Dedicated Tax Fund Series 2002B 1.07%, 07/07/04	8,800	8,800
S/F Housing RB Series 2004F 1.05%, 04/01/05	5,000	5,000	➤■ Transportation RB Series 2004A-4 1.10%, 07/07/04	10,000	10,000
New Jersey Turnpike Auth			➤■ Transportation Refunding RB Series 2002G-2 1.08%, 07/07/04	16,500	16,500
➤■ Turnpike RB Series 2000A 1.11%, 07/07/04	8,000	8,000	➤■ Transportation Variable Rate RB Series 2004A-3 1.10%, 07/07/04	10,000	10,000
		39,114	New York		
New Mexico 0.2%			➤ Environmental Quality 1986 GO Bonds Series 1998A 1.18%, 08/04/04	12,000	12,000
Farmington			New York City		
➤■ Hospital RB (San Juan Regional Medical Center) Series 2004B 1.11%, 07/07/04	5,000	5,000	➤■ GO Bonds Fiscal 1994 Series A-7 1.04%, 07/01/04	1,000	1,000
Santa Fe			➤■ GO Bonds Fiscal 1998D 1.08%, 07/07/04	17,825	17,825
➤■ Gross Receipts Tax Subordinate Lien Wastewater System RB Series 1997B 1.10%, 07/07/04	16,600	16,600	➤■ GO Bonds Fiscal 2004 Series F 1.15%, 07/07/04	50,000	50,000
		21,600	New York City Housing Development Corp		
New York 5.5%			➤■ M/F Mortgage RB (2 Gold Street) 2003 Series A 1.03%, 07/07/04	5,000	5,000
Buffalo			➤■ M/F Mortgage RB (Upper East), 2003 Series A 1.06%, 07/07/04	31,000	31,000
➤ RAN 2003-2004 A 1.08%, 07/29/04	12,000	12,015	➤■ M/F Rental Housing RB (One Columbus Place) Series 1998A 1.05%, 07/07/04	44,500	44,500
Dutchess Cnty IDA			➤■ M/F Rental Housing RB (Sierra) Series 2003A 1.05%, 07/07/04	9,300	9,300
➤■ Civic Facility RB (Trinity-Pawling School Corp) Series 1998 1.08%, 07/07/04	4,500	4,500			
Jay Street Dev Corp					
➤■ Courts Facility Lease RB (Jay Street Project) Fiscal 2004 Bonds A-2 1.05%, 07/07/04	6,000	6,000			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
New York City IDA			New York State HFA		
➤■ Special Facility RB (Korean Air Lines Co) Series 1997A 1.08%, 07/07/04	21,500	21,500	➤■ 101 West End Ave Housing RB Series 1999A 1.08%, 07/07/04	40,050	40,050
New York City Municipal Water Finance Auth			➤■ 150 E44th St Housing RB Series 2000A 1.08%, 07/07/04	56,120	56,120
➤ TECP Series 5 1.07%, 07/07/04	15,000	15,000	➤■ 250 W50th St Housing RB Series 1997A 1.03%, 07/07/04	37,000	37,000
➤ TECP Series 6 1.06%, 07/15/04	30,000	30,000	➤■ 350 W43rd St Housing RB Series 2002A 1.05%, 07/07/04	5,000	5,000
➤■ Water & Sewer System RB Series 1994G 1.03%, 07/01/04	2,400	2,400	➤■ 350 W43rd Street Housing RB 2004 Series A 1.05%, 07/07/04	9,400	9,400
➤■ Water & Sewer System RB Series 1996B 1.11%, 07/07/04	9,995	9,995	➤■ Helena Housing RB Series 2003A 1.03%, 07/07/04	12,200	12,200
➤■ Water & Sewer System RB Series 2000C 1.04%, 07/07/04	12,500	12,500	➤■ Housing RB (Avalon Chrystie Place I) Series 2004 A 1.08%, 07/07/04	20,000	20,000
➤■ Water & Sewer System RB Series 2002 G 1.11%, 07/07/04	13,545	13,545	➤■ Service Contract Refunding RB Series 2003D 1.03%, 07/07/04	24,700	24,700
New York City Transitional Finance Auth			➤■ Union Square South Housing RB Series 1996A 1.03%, 07/07/04	14,000	14,000
➤■ Future Tax Secured Bonds Fiscal 1999C 1.08%, 07/07/04	14,760	14,760	➤■ W23rd St Housing RB Series 2002A 1.08%, 07/07/04	43,100	43,100
➤■ Future Tax Secured Bonds Series 2001C 1.03%, 07/07/04	8,150	8,150	New York State Mortgage Agency		
➤■ Future Tax Secured Refunding Bonds Series 2003A 1.11%, 07/07/04	4,640	4,640	➤■ Homeowner Mortgage RB Series 79 1.13%, 07/07/04	14,995	14,995
➤■ Recovery Bonds Fiscal 2003 Series 2D 1.03%, 07/07/04	3,600	3,600	➤■ Homeowner Mortgage RB, Series 77-A 1.20%, 02/03/05	10,700	10,700
New York State Dormitory Auth			➤■ S/F Mortgage RB Series 92 1.13%, 07/07/04	4,055	4,055
➤■ State University Educational Facilities RB Series 2000B 1.35%, 11/10/04	20,000	20,000	Port Auth of New York & New Jersey		
New York State Energy Research Dev Auth			➤■ Special Project Bonds Series 6 JFK International Air Terminal 1.11%, 07/07/04	4,345	4,345
➤■ Gas Facilities RB (Brooklyn Union Gas Co.) Series 1996 1.11%, 07/07/04	1,570	1,570			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Triborough Bridge & Tunnel Auth			Hertford Cnty Industrial Facilities & Pollution Control Financing Auth		
■ General Refunding RB Series 2002B 1.10%, 07/07/04	9,995	9,995	IDRB (Nucor Corp) Series 2000A ■ 1.12%, 07/07/04	17,500	17,500
Westchester Cnty IDA			■ 1.15%, 07/07/04	26,500	26,500
+■ IDRB (Levister Redevelopment Co) Series 2001A 1.09%, 07/07/04	1,000	1,000	Johnston Cnty Industrial Facilities & Pollution Control Financing Auth		
Yonkers IDA			+■ IDRB (Flanders Corp) Series 1998 1.09%, 07/07/04	4,500	4,500
+■ Civic Facility RB (Consumers Union) Series 1994 1.05%, 07/07/04	460	460	Mecklenburg Cnty		
		715,890	■ GO Bonds Series 2003B 1.05%, 07/07/04	10,000	10,000
North Carolina 2.3%			North Carolina Capital Facilities Finance Agency		
Burke Cnty			+■ Capital Facilities RB (Durham Academy) Series 2001 1.09%, 07/07/04	22,700	22,700
+■ IDRB (Bauer Industries) Series 1994 1.22%, 07/07/04	2,155	2,155	North Carolina Educational Facilities Finance Agency		
Charlotte			■ Educational Facilities RB (Davidson College) Series 2000B 1.09%, 07/07/04	19,000	19,000
+■ Airport Refunding RB Series 1997A 1.10%, 07/07/04	37,400	37,400	+■ Educational Facilities RB (High Point Univ) Series 1997 1.09%, 07/07/04	4,610	4,610
Durham Housing Auth			+■ Educational Facilities RB (Queens College) Series 1999B 1.09%, 07/07/04	5,755	5,755
+■ M/F Housing RB (Pendleton Townhomes) Series 2001 1.13%, 07/07/04	5,490	5,490	North Carolina HFA		
Forsyth Cnty			■ Home Ownership RB Series 1A 1.05%, 07/15/04	12,000	12,000
+■ RB (Plymouth Printing Co) Series 1998 1.19%, 07/07/04	1,140	1,140	Rockingham Cnty Industrial Facilities & Pollution Control Financing Auth		
Gates Cnty Industrial Facilities & Pollution Control Financing Auth			+■ IDRB (McMichael Mills) Series 1997 1.17%, 07/07/04	1,600	1,600
+■ IDRB (Coxe-Lewis Corp) Series 1999 1.27%, 07/07/04	1,080	1,080			
Guilford Cnty Industrial Facilities & Pollution Control Financing Auth					
+■ IDRB (Metalcraft of Mayville SE Mnfg) Series 1997 1.15%, 07/07/04	1,500	1,500			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Rowan Cnty Industrial Facilities & Pollution Control Financing Auth			Richland Cnty		
+■ IDR B (Taylor Clay Products) Series 1999 1.17%, 07/07/04	3,800	3,800	+■ Solid Waste Disposal RB (Minn-Dak Farmers Coop) Series 1996A 1.38%, 07/07/04	7,250	7,250
Sampson Cnty Industrial Facilities & Pollution Control Financing Auth			+■ Solid Waste Disposal RB (Minn-Dak Farmers Coop) Series 1996B 1.38%, 07/07/04	665	665
+■ IDR B (Crumpler Plastic Pipe) Series 1999 1.22%, 07/07/04	3,200	3,200			32,640
Union Cnty Industrial Facilities & Pollution Control Financing Auth			Ohio 2.0%		
+■ RB (Rock-Tenn Converting Co) Series 1997 1.16%, 07/07/04	1,750	1,750	Akron, Bath & Copley Joint Township Hospital District		
Wake Cnty			+■ Hospital Facilities RB (Summa Health System Obligated Group) Series 2004B 1.10%, 07/07/04	7,500	7,500
■ Public Improvement Bonds Series 2003B 1.30%, 04/01/05	28,000	28,249	Cleveland		
■ School Bonds Series 2004A 1.13%, 04/01/05	30,000	30,194	+■ Airport System RB Series 1997D 1.10%, 07/07/04	35,640	35,640
■ School Bonds Series 2004B 1.13%, 04/01/05	41,320	41,587	Cleveland-Cuyahoga Cnty Port Auth		
Wake Cnty Housing Auth			+■ RB (Euclid/93rd Garage) Series 2003 1.05%, 07/07/04	25,000	25,000
+■ M/F Housing RB (Walnut Ridge Apts) Series 2000 1.16%, 07/07/04	10,075	10,075	Cuyahoga Cnty		
Wilmington Housing Auth			+■ Economic Development RB (Hathaway Brown School) Series 1999 1.10%, 07/07/04	14,650	14,650
+■ M/F Housing RB (Garden Lakes Estates) Series 1999 1.16%, 07/07/04	7,140	7,140	Hamilton		
		298,925	+■ Electric System Refunding RB Series 2002A 1.08%, 07/07/04	26,050	26,050
North Dakota 0.3%			Ohio		
North Dakota Housing Finance Agency			■ Infrastructure Improvement Refunding GO Bonds Series 2004A 1.03%, 07/07/04	18,000	18,000
■ Home Mortgage Finance Program 2004 Series B 1.10%, 07/07/04	11,735	11,735	Ohio Air Quality Development Auth		
■ 1.10%, 07/07/04	12,990	12,990	+■ Air Quality Development RB (JMG Funding) Series 1994A 1.06%, 07/07/04	30,725	30,725

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ ■ Air Quality Development RB (JMG Funding) Series 1994B 1.15%, 07/07/04	14,400	14,400	Oklahoma Development Finance Auth		
Ohio HFA			+ ■ RB (Shawnee Funding) Series 1996 1.16%, 07/07/04	3,100	3,100
▶ ■ Residential Mortgage RB (MBS Program) Series 2000 A-1 1.17%, 07/07/04	250	250	Oklahoma HFA		
▶ ■ Residential Mortgage RB 2001C 1.20%, 07/07/04	6,500	6,500	▶ ■ S/F Mortgage RB Series 1998B-2 & 2000C-2 1.17%, 07/07/04	3,835	3,835
Ohio Higher Educational Facility Commission			Oklahoma Student Loan Auth		
+ ■ Higher Educational Facility RB (Pooled Financing) Series 2003B 1.10%, 07/07/04	5,000	5,000	+ ■ Student Loan Bonds & Notes Series 1996A 1.05%, 07/07/04	32,580	32,580
Port of Greater Cincinnati Development Auth			+ ■ Student Loan Bonds & Notes Series 1997A 1.10%, 07/07/04	33,000	33,000
+ ■ RB (National Underground Railroad Freedom Center) Series 2003A 1.10%, 07/07/04	15,000	15,000	+ ■ Student Loan Bonds & Notes Series 1998A 1.10%, 07/07/04	33,100	33,100
University of Cincinnati			+ ■ Student Loan Bonds & Notes Series 2000A-4 1.10%, 07/07/04	10,945	10,945
General Receipts BAN Series 2004C 1.03%, 03/28/05	37,122	37,387	Tulsa IDA		
1.13%, 03/28/05	5,000	5,032	+ ■ RB (YMCA) Series 1999 1.08%, 07/07/04	2,500	2,500
+ ■ General Receipts Bonds Series 2004B 1.08%, 07/07/04	20,000	20,000			
		261,134			132,640
Oklahoma 1.0%			Oregon 1.4%		
Broken Bow EDA			Oregon		
+ ■ Solid Waste Disposal RB (JM Huber) Series 2003A 1.13%, 07/07/04	7,500	7,500	+ ■ Economic Development RB (Kettle Foods) 1998 Series 196 1.12%, 07/07/04	4,870	4,870
Muldrow Public Works Auth			Full Faith & Credit TAN Series 2003A 1.07%, 11/15/04	42,000	42,184
+ ■ IDR (OK Foods) Series 1995 1.40%, 07/07/04	5,000	5,000	Oregon Economic Development Commission		
Oklahoma Cnty Industrial Auth			+ ■ Economic Development RB (Pendleton Flour Mills) 1997 Series 182 1.12%, 07/07/04	4,360	4,360
+ ■ RB (National Cowboy Hall of Fame) Series 1999 1.08%, 07/07/04	1,080	1,080	Oregon Health & Science University		
			+ ■ Special RB Series 2004A (OHSU Medical Group) 1.06%, 07/07/04	10,000	10,000

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Oregon Health, Housing, Educational & Cultural Facility			Blair County IDA		
+■ RB (Quatama Crossing) Series 1998A 1.15%, 07/07/04	8,510	8,510	+■ First Mortgage RB (Village at Penn State Project) Series 2002C 1.01%, 07/07/04	2,175	2,175
Oregon Housing & Community Services Dept			Cambria Cnty IDA		
■ Mortgage RB (S/F Program) Series 20030 1.25%, 01/06/05	40,000	40,000	+■ Resource Recovery RB (Cambria Cogen Co) Series 1998A-1 1.15%, 07/07/04	90,000	90,000
■ Mortgage RB (S/F Program) Series 2003M 1.20%, 01/06/05	7,000	7,000	+■ Resource Recovery RB (Cambria Cogen Co) Series 1998A-2 1.34%, 07/07/04	15,005	15,005
■ Mortgage RB (Single-Family Mortgage Program) 2004 Series D 1.16%, 05/05/05	12,800	12,800	Central Bucks SD		
■ Mortgage RB (Single-Family Mortgage Program) 2004 Series E 1.21%, 05/05/05	13,400	13,400	+■ GO Series 2000A 1.13%, 07/07/04	1,550	1,550
Port of Portland			Chester Cnty Health & Education Facilities Auth		
+■ Special Obligation RB (Portland Bulk Terminals) Series 1996 1.12%, 07/07/04	28,000	28,000	+■ RB (Simpson Meadows) Series 2000 1.08%, 07/07/04	3,805	3,805
+■ Special Obligation RB (Portland Bulk Terminals) Series 1999 1.12%, 07/07/04	4,500	4,500	Clarion Cnty IDA		
Portland			+■ Energy Development RB (Piney Creek) 1990 Series 1.10%, 07/07/04	4,465	4,465
+■ M/F Housing RB (Village of Lovejoy Fountain) Series 1997 1.12%, 07/07/04	8,500	8,500	Dauphin Cnty General Auth		
		184,124	+■ RB (Education & Health Loan) Series 1997 1.13%, 07/07/04	7,285	7,285
Pennsylvania 7.9%			Delaware Cnty IDA		
Allegheny Cnty Hospital Development Auth			+■ Hospital RB (Crozer-Chester Medical Center Obligated Group) Series 2002 1.09%, 07/07/04	4,600	4,600
+■ Hospital RB Series 1993 (Magee-Womens Hospital) 1.10%, 07/07/04	5,000	5,000	Delaware Valley Regional Finance Auth		
Allegheny Cnty Port Auth			+■ Local Government RB 1998A 1.16%, 07/07/04	14,510	14,510
+ Grant Anticipation Notes Series 2004 1.63%, 06/30/05	15,000	15,201	+■ Local Government RB Series 1998A 1.13%, 07/07/04	7,400	7,400
			Emmaus General Auth		
			+■ Bonds Series 1996 1.06%, 07/07/04	3,125	3,125

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Erie SD			Northhampton Cnty		
➤■ GO Bonds Series 2001A 1.22%, 11/03/04	15,845	15,845	➤■ County Agreement RB Series 2001 1.30%, 10/06/04	6,995	6,995
Harrisburg Auth			➤■ RB (Binney & Smith) Series 1997B 1.14%, 07/07/04	840	840
➤■ Water Refunding RB Series 2002B 1.13%, 07/07/04	5,000	5,000	Norwin SD		
➤■ Water Refunding RB Series 2003A 1.13%, 07/07/04	10,850	10,850	➤■ GO Bonds Series 2001A 1.35%, 11/10/04	12,500	12,500
Lancaster Cnty Hospital Auth			Pennsylvania		
➤■ Health Center RB (Masonic Homes) Series 2002 1.06%, 07/07/04	17,435	17,435	➤■ GO Bonds First Series 1995 1.14%, 07/07/04	1,000	1,000
Mercer Cnty			■ GO Bonds First Series 2001 1.16%, 07/07/04	6,860	6,860
➤■ GO Bonds Series 2001 1.11%, 07/07/04	9,000	9,000	➤■ GO Bonds First Series 2003 1.10%, 07/07/04	5,000	5,000
Montgomery Cnty Higher Education & Health Auth			➤■ GO Bonds First Series 2004 1.10%, 07/07/04	5,370	5,370
➤■ RB Series 2001 (Madlyn & Leonard Abramson Center For Jewish Life) 1.09%, 07/07/04	5,500	5,500	➤■ GO Bonds Second Series 2002 1.10%, 07/07/04	14,995	14,995
Montgomery Cnty IDA			Pennsylvania Convention Center Auth		
➤ Pollution Control Refunding RB (Exelon Generation Co) Series 2002A 1.00%, 07/08/04	7,200	7,200	➤■ RB Series 1989A 1.10%, 07/07/04	4,500	4,500
➤ Pollution Control Refunding RB (Peco Energy Co) Series 1994A 1.10%, 07/07/04	25,000	25,000	Pennsylvania Economic Development Financing Auth		
➤■ School RB (Friends' Central School) Series 2002 1.13%, 07/07/04	5,200	5,200	➤■ Exempt Facilities RB (Amtrak) Series 2001B 1.08%, 07/07/04	12,500	12,500
Montgomery Cnty Redevelopment Auth			➤■ Exempt Facilities RB (Reliant Energy Seward) Series 2001A 1.13%, 07/07/04	71,900	71,900
➤■ M/F Housing RB (Kingswood Apts) Series 2001A 1.05%, 07/07/04	1,205	1,205	➤■ Exempt Facilities RB (Reliant Energy Seward) Series 2002A 1.13%, 07/07/04	38,500	38,500
➤■ M/F Housing Refunding RB (Glenmore Associates) Series 1995A 1.09%, 07/07/04	3,750	3,750	➤■ Exempt Facilities RB (Reliant Energy Seward) Series 2002B 1.10%, 07/07/04	18,000	18,000
			➤■ RB (Westrum Hanover) Series 2004 1.10%, 07/07/04	800	800
			Pennsylvania Energy Development Auth		
			➤■ Energy Development RB (B&W Ebensburg) Series 1986 1.10%, 07/07/04	33,435	33,435

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ × 1,000)	Value (\$ × 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ × 1,000)	Value (\$ × 1,000)
➦■ Energy Development RB (Piney Creek) Series 1986A 1.10%, 07/07/04	21,475	21,475	■ Pennsylvania Turnpike Commission ➦■ Turnpike RB Series 2001U 1.08%, 07/07/04	39,200	39,200
➦■ Energy Development RB (Piney Creek) Series 1986C 1.10%, 07/07/04	4,155	4,155	■ Philadelphia ➦■ Water & Wastewater RB Series 1997B 1.05%, 07/07/04	16,700	16,700
■ Pennsylvania HFA ➦■ S/F Mortgage RB Drawdown Series 2003 1.15%, 07/07/04	6,920	6,920	➦■ Water & Wastewater Refunding RB Series 2003 1.07%, 07/07/04	7,000	7,000
■ S/F Mortgage RB Series 1999A 1.08%, 08/05/04	18,820	18,820	■ Philadelphia Gas Works ➦■ RB Third Series 2001 1.10%, 07/07/04	5,995	5,995
■ S/F Mortgage RB Series 2002-74B 1.13%, 07/07/04	3,895	3,895	■ Philadelphia Hospital & Higher Education Facilities A ➦■ RB (Wills Eye Hospital) Series 2000 1.08%, 07/07/04	7,000	7,000
■ S/F RB Series 1998-64 1.09%, 11/04/04	495	495	■ Philadelphia IDA ➦■ Airport RB Series 1998A 1.05%, 08/05/04	12,710	12,710
■ Pennsylvania Higher Education Assistance Agency ➦■ Student Loan RB Series 1988A 1.05%, 07/07/04	38,600	38,600	➦■ RB (City Line Holiday Inn) Series 1996 1.03%, 07/07/04	6,800	6,800
➦■ Student Loan RB Series 1988B 1.05%, 07/07/04	25,000	25,000	■ Quakertown General Auth ➦■ RB (Pooled Financing Program) Series 1996A 1.02%, 07/07/04	15,455	15,455
➦■ Student Loan RB Series 1994A 1.05%, 07/07/04	16,000	16,000	➦■ RB (Pooled Financing Program) Series 1998A 1.02%, 07/07/04	1,705	1,705
➦■ Student Loan RB Series 1997A 1.13%, 07/07/04	23,900	23,900	■ Quakertown Hospital Auth ➦■ Hospital RB (HPS Group Pooled Financing Program) Series 1985 1.02%, 07/07/04	17,000	17,000
➦■ Student Loan RB Series 1999A 1.10%, 07/07/04	74,300	74,300	■ Temple University University Funding Obligations Series 2004 1.27%, 05/02/05	29,800	30,041
➦■ Student Loan RB Series 2000A 1.13%, 07/07/04	40,900	40,900	■ Washington Cnty Lease Auth ➦■ Municipal Facilities Lease RB (Reading II) Series 1985 A-1-B 1.04%, 07/07/04	7,600	7,600
➦■ Student Loan RB Series 2001A 1.13%, 07/07/04	21,900	21,900			
➦■ Student Loan RB Series 2003A-1 1.13%, 07/07/04	7,000	7,000			
➦■ Student Loan RB Series 2003A-2 1.13%, 07/07/04	28,000	28,000			
■ Pennsylvania Public School Building Auth ➦■ School RB (Parkland SD) Series 1999D 1.13%, 07/07/04	6,600	6,600			
■ Pennsylvania State University ■ RB Series 2001A 1.08%, 07/07/04	1,300	1,300			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
■ Refunding RB (University of Pennsylvania) Series 2004 1.08%, 07/07/04	10,000	10,000	Charleston Waterworks & Sewer System		
West Cornwall Twp Municipal Auth			■ Refunding & Capital Improvement RB Series 2003A 1.10%, 07/07/04	8,665	8,665
+■ RB (Lebanon Valley Brethren Home) Series 1995 1.11%, 07/07/04	1,720	1,720	Florence Cnty Public Facilities Corp.		
		1,031,487	+■ Refunding COP (Law Enforcement & Civic Centers) Series 2003 1.08%, 07/07/04	27,290	27,290
Rhode Island 0.8%			Greenville IDA		
Rhode Island Housing & Mortgage Finance Corp			+■ IDRB (Stevens Aviation Technical Services) Series 1997 1.22%, 07/07/04	3,500	3,500
■ Home Ownership Opportunity Bonds 1998 Series 29A 1.23%, 07/07/04	19,020	19,020	South Carolina Association of Governmental Organizations		
Rhode Island IDA			1.53%, 04/15/05	15,000	15,142
+■ IDRB (Greystone of Lincoln) 2000 Series 1.35%, 07/07/04	1,900	1,900	South Carolina Housing & Development Auth		
Rhode Island Student Loan Auth			+■ M/F Rental Housing RB (Ashley Apts) Series 1999 1.16%, 07/07/04	4,105	4,105
+■ Student Loan Program RB 1995 Series 1 1.13%, 07/07/04	30,000	30,000	+■ M/F Rental Housing RB (Piedmont Manor Apts) Series 2000B-1 1.16%, 07/07/04	5,755	5,755
+■ Student Loan Program RB 1996 Series 1 1.10%, 07/07/04	19,000	19,000	+■ M/F Rental Housing RB (Spartanburg Terrace Apts) Series 2000C-1 1.16%, 07/07/04	1,960	1,960
+■ Student Loan Program RB 1996 Series 2 1.10%, 07/07/04	6,900	6,900	+■ M/F Rental Housing Refunding RB (Fairway Apts) Series 2001A 1.10%, 07/07/04	7,735	7,735
+■ Student Loan Program RB 1996 Series 3 1.13%, 07/07/04	23,000	23,000	South Carolina Jobs Economic Development Auth		
		99,820	+■ Economic Development RB (Holcim) Series 2003 1.23%, 07/07/04	6,250	6,250
South Carolina 1.6%			+■ Economic Development RB (Thomas & Betts Corp) Series 1997 1.22%, 07/07/04	3,250	3,250
Berkeley Cnty SD					
+■ School Building Bonds Series 2002 1.15%, 07/07/04	7,575	7,575			
Charleston Cnty SD					
▲ 2004 TAN 1.51%, 04/15/05	70,000	70,540			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
■ Economic Development Refunding RB (Electric City Printing Co) Series 1994 1.22%, 07/07/04	1,800	1,800	Chattanooga Health, Education & Housing Facilities Board ■ RB (Baylor School) Series 1996 1.08%, 07/07/04	2,035	2,035
■ IDRB (Sanders Brothers Construction Co) Series 1996 1.22%, 07/07/04	700	700	Clarksville Public Building Auth ■ Pooled Finance RB Series 2003 1.10%, 07/01/04	1,000	1,000
South Carolina Public Service Auth ► TECP 0.97%, 07/14/04	22,424	22,424	Franklin Co IDB ■ IDRB (Hi-Tech) Series 1997 1.16%, 07/07/04	4,300	4,300
South Carolina Transportation Infrastructure Bank ►■ RB Series 1999A 1.14%, 07/07/04	22,610	22,610	Grundy Cnty IDB ■ Limited Obligation RB (Toyo Seat USA Corp) Series 2001 1.28%, 07/07/04	3,795	3,795
Spartanburg Cnty IDA ■ Refunding IDRB (Bemis Co) Series 1991 1.14%, 07/07/04	4,750	4,750	Hendersonville IDB ■ Refunding IDRB (Betty Machine Co) Series 2001 1.13%, 07/07/04	5,000	5,000
		214,051	Huntingdon IDB ■ IDRB (Associated Rubber Co) Series 1999 1.16%, 07/07/04	2,400	2,400
South Dakota 0.3% South Dakota HDA ►■ Homeownership Mortgage Bonds Series 2003C-1 1.06%, 07/07/04	10,000	10,000	Jackson Energy Auth ►■ Gas System RB Series 2002 1.05%, 07/07/04	5,730	5,730
■ M/F Housing RB (Harmony Heights) Series 2001 1.25%, 07/07/04	6,500	6,500	■ Water System RB Series 2002 1.05%, 07/07/04	4,800	4,800
South Dakota Health & Educational Facilities Auth ►■ RB (McKenna Hospital) Series 1994 1.15%, 07/07/04	27,345	27,345	Jackson IDB ■ Solid Waste Facility Bonds (Ameristeel Corp) Series 1997 1.15%, 07/07/04	3,800	3,800
		43,845	McMinn Cnty IDA ■ Solid Waste Disposal Facilities RB (Bowater) Series 1999 1.17%, 07/07/04	13,500	13,500
Tennessee 2.9% Bristol Health & Educational Facilities Board ■ RB (King College) Series 2001 1.08%, 07/07/04	6,850	6,850	Memphis Health, Educational & Housing Facility Board ■ M/F Housing Refunding RB (Watergrove Apts) Series 2004 1.08%, 07/07/04	7,945	7,945
Carter Cnty IDB ■ M/F Housing Refunding RB (Willow Run Apts) Series 1990 1.25%, 07/07/04	6,675	6,675	Metropolitan Govt of Nashville & Davidson Cnty GO TECP 1.10%, 10/08/04	25,000	25,000

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Metropolitan Govt of Nashville & Davidson Cnty Health & Educational Facilities Board			+►■ Public Improvement Bonds		
+■ RB (Ensworth School) Series 2002			1996 Series E-5		
1.05%, 07/07/04	10,000	10,000	1.10%, 07/07/04	1,310	1,310
Metropolitan Govt of Nashville Davidson Cnty IDB			+►■ Public Improvement Bonds		
+■ Educational Facilities Refunding RB (David Lipscomb Univ) Series 2003			1996 Series F-1		
1.05%, 07/07/04	8,600	8,600	1.10%, 07/07/04	8,700	8,700
+■ IDRB (Bindtech) Series 1997			+►■ Public Improvement Bonds		
1.15%, 07/07/04	2,850	2,850	1996 Series F-2		
+■ M/F Housing RB (Arbor Crest) 1985B			1.10%, 07/07/04	4,775	4,775
1.09%, 07/07/04	12,550	12,550	+►■ Public Improvement Bonds		
+■ M/F Housing RB (Arbor Knoll) 1985A			1996 Series G		
1.09%, 07/07/04	13,400	13,400	1.10%, 07/07/04	5,175	5,175
+■ RB (Nashville Symphony Hall) Series 2004			+►■ Public Improvement Bonds		
1.08%, 07/07/04	13,000	13,000	1996 Series II-C		
Metropolitan Nashville Airport Auth			1.10%, 07/07/04	805	805
+■ Passenger Facility Charge Refunding Bonds Series 2003			+►■ Public Improvement Bonds		
1.13%, 07/07/04	7,000	7,000	1998 Series III-C-1		
Montgomery Cnty Public Building Auth			1.10%, 07/07/04	7,980	7,980
Pooled Financing RB Series 2002			Shelby Cnty Health, Education & Housing Facility Board		
1.10%, 07/01/04	80	80	+■ Educational Facilities RB (Rhodes College) Series 2000		
Nashville-Davidson Cnty Health & Educational Facilities Board			1.08%, 07/07/04	9,700	9,700
■ RB (Ascension Health Credit Group) Series 2001 B-1			+■ M/F Housing RB (TUP I) Series 1997A		
1.00%, 08/02/04	3,500	3,500	1.20%, 07/07/04	5,000	5,000
Sevier Cnty Public Building Auth			+ RB (Baptist Memorial Hospital) Series 2000		
+►■ Public Improvement Bonds			1.08%, 07/21/04	30,000	30,000
1995 Series C-1			+■ RB (St. Benedict at Auburndale High School) Series 2003		
1.10%, 07/07/04	2,975	2,975	1.13%, 07/07/04	5,000	5,000
+►■ Public Improvement Bonds			Tennessee		
1996 Series E-4			GO TECP Series A		
1.10%, 07/07/04	2,340	2,340	0.98%, 07/13/04	10,000	10,000
			1.03%, 09/07/04	20,000	20,000
			1.16%, 10/07/04	10,000	10,000
			Tennessee Housing Development Agency		
			►■ Homeownership Program Bonds		
			Series 2001-1C		
			1.21%, 07/07/04	4,205	4,205
			Volunteer Student Loan Funding Corp		
			+■ Student Loan RB Series		
			1987 A-1		
			1.12%, 07/07/04	15,000	15,000

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
■ Student Loan RB Series 1987 A-2 1.12%, 07/07/04 ■ Student Loan RB Series 1987 A-3 1.12%, 07/07/04	13,700	13,700			
	58,400	58,400			
		378,875			
Texas 12.2%			Dallas Area Rapid Transit		
Amarillo Health Facility Corp.			■ Dallas/Ft Worth International Airport Joint RB Series 2003A 1.15%, 07/07/04	2,500	2,500
■ Health Facilities Refunding RB (Evangelical Lutheran Good Samaritan Society) Series 1997 1.15%, 07/07/04	3,155	3,155	■ Senior Lien Sales Tax RB Series 2001 1.14%, 07/07/04	16,130	16,130
■ Hospital RB (Panhandle Pooled Health Care Loan) Series 1985 1.15%, 07/07/04	3,000	3,000	Dallas Fort Worth International Airport		
Austin			■ Airport Joint Improvement RB Series 2003A 1.65%, 07/07/04	9,995	9,995
■ Public Improvement Bonds Series 2000 1.14%, 07/07/04	6,000	6,000	■ Joint Improvement & Refunding RB Series 2002A 1.18%, 07/07/04	8,995	8,995
■ Water & Wastewater Refunding RB Series 2001A&B 1.12%, 07/07/04	6,425	6,425	Denton Utility System		
Bexar Cnty Health Facilities Development Corp.			■ Utility System RB Series 2000A 1.13%, 07/07/04	5,230	5,230
■ Health Care RB (Chandler Memorial Home) Series 1995 1.11%, 07/07/04	3,700	3,700	El Paso		
Brazos River Auth			■ Water & Sewer Refunding RB Series 1998 1.23%, 07/07/04	10,610	10,610
■ Pollution Control Refunding RB (TXU Electric Co) Series 2001 D-1 1.14%, 07/07/04	14,500	14,500	Eules IDA		
Capital Health Facilities Development Corp.			■ RB (Ferguson Enterprises) Series 1985 1.14%, 07/07/04	4,950	4,950
■ Health Facilities Development RB (Island on Lake Travis) Series 1986 1.10%, 07/07/04	22,600	22,600	Grand Prairie IDA		
Collin Cnty HFA			■ IDR (NTA Leasing Co) Series 1994 1.20%, 07/07/04	1,400	1,400
■ M/F Housing RB (Huntington Apts) Series 1996 1.19%, 07/07/04	6,150	6,150	Grapevine IDA		
			■ Airport Improvement RB (Simuflite Training Int'l) Series 1983A 1.15%, 04/01/05	18,975	18,975
			Greater East Texas Student Loan Corp.		
			■ Student Loan RB Series 1992B 1.03%, 07/07/04	14,000	14,000
			■ 1.12%, 07/07/04	30,200	30,200
			■ Student Loan RB Series 1995B 1.03%, 07/07/04	10,000	10,000
			■ Student Loan Refunding RB Series 1993A 1.12%, 07/07/04	48,150	48,150

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ ■ Student Loan Refunding RB Series 1993B 1.12%, 07/07/04	7,000	7,000	+ ■• Water & Sewer System Junior Lien Refunding RB Series 2002A 1.16%, 07/07/04	6,530	6,530
+ ■ Student Loan Refunding RB Series 1995A 1.13%, 07/07/04	35,700	35,700	Houston Combined Utility System		
+ ■ Student Loan Refunding RB Series 1996A 1.12%, 07/07/04	56,000	56,000	▶ TECP Notes Series A 1.10%, 07/13/04	11,600	11,600
+ ■ Student Loan RB Series 1998A 1.12%, 07/07/04	10,250	10,250	Houston Independent SD		
Gregg County Health Facilities Dev. Corp.			■ Limited Tax Schoolhouse & Refunding Bonds Series 2003 1.73%, 06/15/05	97,270	97,270
+ ■ Hospital RB (Good Shepherd Medical Center) Series 2004 1.08%, 07/07/04	21,770	21,770	■ Limited Tax Schoolhouse Bonds Series 2004 1.75%, 06/09/05	105,000	104,873
Gulf Coast Industrial Development Auth			Jewett Economic Development Corp		
+ ■ IDRB (Gruma Corp) Series 1994 1.15%, 07/07/04	6,440	6,440	■ IDRB (Nucor Corp) Series 2003 1.12%, 07/07/04	6,200	6,200
Gulf Coast Waste Disposal Auth			Katy Independent SD		
■ Solid Waste Disposal RB (Amoco Oil Co) Series 1991 1.05%, 10/01/04	9,200	9,200	+ ■• Unlimited Tax School Building Bonds Series 2000A 1.14%, 07/07/04	10,145	10,145
Harris Cnty			Lavaca-Navidad River Auth		
+ ■• Junior Lien Special RB (Rodeo) Series 2001C 1.13%, 07/07/04	2,000	2,000	+ ■ Water Supply System Contract RB (Formosa Plastics Corp) Series 1990 1.28%, 07/07/04	13,600	13,600
Harris Cnty Health Facility Development Corp			Lower Colorado River Auth		
+ ■• SCH Health Care System RB Series 1997B 1.14%, 07/07/04	14,850	14,850	+ ■• Refunding RB Series 1999A 1.14%, 07/07/04	10,770	10,770
Harris Cnty HFA			Lower Neches Valley Auth		
+ ■ M/F Housing RB (Dominion Square Apts) Series 2000 1.23%, 07/07/04	2,860	2,860	■ Pollution Control RB (Chevron USA) Series 1987 0.95%, 08/16/04	12,940	12,940
Hockley Industrial Dev Corp., TX			Mansfield IDA		
■ Pollution Control RB (AMOCO) Series 1983 0.98%, 09/01/04	18,500	18,498	+ ■ IDRB (Southern Champion Tray) Series 1999 1.60%, 07/07/04	2,200	2,200
Houston			Matagorda Cnty Navigation District # 1		
▶ ■• Public Improvement Refunding Bonds Series 1998A 1.14%, 07/07/04	21,655	21,655	+ ■• Refunding RB (Houston Lighting & Power Co) 1.20%, 07/07/04	19,385	19,385

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Midlothian Independent SD		
■• Unlimited Tax School Building & Refunding Bonds Series 2004 1.16%, 07/07/04	8,840	8,840
North Texas Higher Education Auth		
+■ Student Loan RB Series 1987 1.10%, 07/07/04	87,750	87,750
+■ Student Loan RB Series 1998 1.06%, 07/07/04	9,000	9,000
Panhandle Plains Higher Education Auth		
+■ Student Loan RB Series 1991A 1.10%, 07/07/04	2,200	2,200
Student Loan RB Series 1992A 1.10%, 07/07/04	45,500	45,500
+■ 1.10%, 07/07/04	7,300	7,300
+■ Student Loan RB Series 1993A 1.10%, 07/07/04	35,400	35,400
San Antonio IDA		
+■ IDRB (Gruma Corp) Series 1994 1.15%, 07/07/04	4,095	4,095
Southeast Texas HFA		
S/F Mortgage Refunding & RB Series 1998A		
+■• 1.17%, 07/07/04	5,390	5,390
+■• 1.17%, 07/07/04	5,480	5,480
Texas		
GO College Student Loan & Refunding Bonds Series 2003		
■ 1.80%, 07/07/04	10,130	10,130
■ 1.80%, 07/07/04	15,560	15,560
TRAN Series 2003		
1.16%, 08/31/04	200,000	200,277
1.18%, 08/31/04	255,000	255,344
1.19%, 08/31/04	45,000	45,060
■ Veterans' Housing Assistance Program Fund II Series 2002 A-2 Bonds		
1.07%, 07/07/04	2,000	2,000
Texas A&M University		
■• Permanent University Fund Bonds Series 1998		
1.14%, 07/07/04	28,445	28,445

**Texas Dept of Housing &
Community Affairs**

Community Affairs			
+■	M/F Housing RB (Bristol Apts) Series 2004 1.13%, 07/07/04	8,625	8,625
+■	M/F Housing RB (Creek Point Apts) Series 2000 1.11%, 07/07/04	7,200	7,200
+■	M/F Housing RB (Montgomery Pines Apts) Series 2004 1.13%, 07/07/04	12,300	12,300
+■	M/F Housing RB (Pinnacle Apartments) Series 2004 1.13%, 07/07/04	7,000	7,000
■	Residential Mortgage RB Series 1998A 1.23%, 07/07/04	14,950	14,950
+■	S/F Mortgage RB Series 2002 A&B 1.18%, 07/07/04	4,215	4,215
Texas Municipal Gas Corp.			
+■	Senior Lien Gas Reserve RB Series 1998 1.06%, 07/07/04	2,590	2,590
Trinity River Auth			
+■	Solid Waste Disposal RB (Community Waste Disposal) Series 1999 1.14%, 07/07/04	4,945	4,945
Waco Education Finance Corp			
+■	RB (Baylor Univ) Series 2002A 1.06%, 07/07/04	9,775	9,775
			1,587,772

Utah 1.7%

Davis Co SD

▲ 2004 TRAN			
1.60%, 06/30/05	25,000	25,343	
Intermountain Power Agency			
■ Power Supply Refunding RB			
Series 1996C			
1.13%, 07/07/04	15,330	15,330	
Salt Lake City			
■ Hospital RB Series 2001 (IHC			
Health Services)			
1.14%, 07/07/04	26,730	26,730	

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
RB (Rowland Hall - St. Mark's School) Series 2001 1.08%, 07/07/04	9,515	9,515	King George Cnty Solid Waste Disposal Facility RB (Garnet) Series 1996 1.15%, 07/07/04	3,700	3,700
TRAN Series 2004 1.60%, 06/30/05	25,000	25,344	Metropolitan Washington Airports Auth Airport System RB Series 2001A 1.18%, 07/07/04	5,870	5,870
University of Utah Auxiliary & Campus Facilities System Refunding & RB Series 1998A 1.14%, 07/07/04	30,060	30,060	Airport System Refunding RB Series 2002C 1.06%, 07/07/04	27,900	27,900
Student Loan RB Series 1993A 1.06%, 07/07/04	20,000	20,000	TECP Series A 1.15%, 07/07/04	75,000	75,000
Student Loan RB Series 1995I 1.06%, 07/07/04	27,500	27,500	Montgomery Cnty IDA RB (Virginia Tech Foundation) Series 2001A 1.08%, 07/07/04	8,900	8,900
Utah GO Highway Bonds Series 1998A 1.12%, 07/07/04	31,085	31,085	RB (Virginia Tech Foundation) Series 2001B 1.18%, 07/07/04	1,310	1,310
Utah Building Ownership Auth Lease Refunding RB Series 1998C 1.14%, 07/07/04	9,695	9,695	RB (Virginia Tech Foundation) Series 2002 1.08%, 07/07/04	4,485	4,485
Woods Cross City M/F Housing Refunding RB (Springwood Apts) Series 2001A 1.08%, 07/07/04	3,605	3,605	Norfolk Parking System Refunding & RB Series 2000B 1.14%, 07/07/04	9,450	9,450
		224,207	Norfolk Redevelopment & Housing Auth RB (Old Dominion University Real Estate Foundation Student Housing) Series 2004B 1.08%, 07/07/04	6,000	6,000
Vermont 0.1% Vermont Economic Development Auth IDRB (Agri-Mark) Series 1999A 1.28%, 07/07/04	17,000	17,000	Portsmouth Redevelopment & Housing Auth M/F Housing RB (Churchland North Apts) Series 1999 1.16%, 07/07/04	6,550	6,550
IDRB (Agri-Mark) Series 1999B 1.28%, 07/07/04	1,000	1,000	Richmond IDA Educational Facilities RB (Church Schools) Series 2002 1.08%, 07/07/04	9,640	9,640
		18,000			
Virginia 1.4% Chesterfield Cnty IDA Solid Waste Disposal Facility RB (Ridewater Fibre Corp) Series 2000 1.17%, 07/07/04	5,100	5,100			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Virginia Beach Development Auth			Pierce Cnty		
+■ M/F Residential Rental Housing RB (Silver Hill at Thalia) Series 1999 1.16%, 07/07/04	4,200	4,200	+■ IDRB (McFarland Cascade) Series 1996 1.20%, 07/07/04	2,000	2,000
Virginia Port Authority			+■• Unlimited Tax GO Bonds Series 2001 1.14%, 07/07/04	43,655	43,655
Commonwealth Port Fund Refunding RB Series 1998 1.70%, 07/01/05	8,630	8,932	Pierce Cnty Economic Development Corp		
		177,037	+■ RB (Flex-A-Lite Consolidated) Series 1996 1.12%, 07/07/04	2,400	2,400
Washington 3.7%			+■ RB (K&M Holdings II) Series 1997 1.40%, 07/07/04	1,400	1,400
Douglas Cnty Development Corp			+■ Solid Waste RB (LeMay Enterprises) Series 1999 1.14%, 07/07/04	2,620	2,620
+■ RB (Executive Flight) Series 1998 1.15%, 07/07/04	6,500	6,500	Port of Centralia IDA		
Energy Northwest			+■ Solid Waste RB (LeMay Enterprises) Series 1999 1.14%, 07/07/04	1,645	1,645
+■• Columbia Generating Station & Project #3 Refunding Electric RB Series 2001A 1.14%, 07/07/04	29,700	29,700	Port of Moses Lake Public Corp		
+■• Project #3 Refunding Electric RB Series 2003A 1.12%, 07/07/04	8,690	8,690	+■ RB (National Frozen Foods Corp) Series 1997 1.05%, 07/07/04	2,900	2,900
+■• Project #3 Refunding Electric RB, Series 2003D-3-2 1.04%, 07/07/04	8,000	8,000	Port of Seattle		
+■• Project No. 1 Refunding Electric RB Series 2002A 1.12%, 07/07/04	13,530	13,530	+■• RB Series 2001B 1.17%, 07/07/04	4,430	4,430
Everett IDA			+■• Special Facility RB Series 1999B (Terminal 18) 1.17%, 07/07/04	49,795	49,795
■ Exempt Facilities RB (Kimberly-Clark Corp) Series 2002 1.12%, 07/07/04	3,200	3,200	Port of Tacoma		
+■ RB (Partners Trust I / Synsor) Series 1996 1.12%, 07/07/04	3,500	3,500	+ Subordinate Lien Revenue TECP Series A 1.10%, 09/07/04	11,000	11,000
Olympia			+ 0.97%, 09/09/04	6,000	6,000
+■ Solid Waste RB (LeMay Enterprises) Series 1999 1.14%, 07/07/04	6,695	6,695	Seattle		
			+■• Drainage & Wastewater Refunding & RB Series 2002 1.12%, 07/07/04	6,875	6,875
			Seattle Housing Auth		
			+■ RB (CHHIP & HRG) Series 1996 1.12%, 07/07/04	3,485	3,485

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
■ M/F RB (Brittany Park) Series 1996A 1.13%, 07/07/04	8,530	8,530	■ Wisconsin 1.7% Colburn IDA		
■ M/F RB (Merrill Gardens) Series 1997A 1.13%, 07/07/04	6,125	6,125	■+■ IDRB (Heartland Farms) Series 1994 1.33%, 07/07/04	5,900	5,900
■ M/F RB (Rosecreek Apts) Series 1998A 1.16%, 07/07/04	3,570	3,570	■ Kenosha ■+■ IDRB (Asyst Technologies) Series 1997 1.16%, 07/07/04	5,000	5,000
S/F Program Bonds Draw Down Issue 2002A 1.18%, 07/07/04	9,600	9,600	■ Milwaukee RAN Series 2004 R3 1.21%, 05/05/05	66,000	66,985
■ Yakama Indian Nation RB (Yakama Forest Products) Series 1997 1.12%, 07/07/04	2,900	2,900	■ Milwaukee Cnty ■+■ Airport RB Series 2000A 1.40%, 04/07/05	18,470	18,470
■ Yakima Cnty Public Corp IDRB (Cowiche Growers) Series 1998 1.15%, 07/07/04	2,800	2,800	■ Southeast Wisconsin Professional Baseball Park District		
■ RB (Michelsen Packaging) Series 1996 1.12%, 07/07/04	1,600	1,600	■+■ Sales Tax Refunding Bonds Series 1998 1.12%, 07/07/04	5,000	5,000
		479,896	■ Wisconsin Health & Educational Facilities Auth		
■ West Virginia 0.4%			■+■ RB Series 1993C (Sisters of the Sorrowful Mother) 1.12%, 07/07/04	22,015	22,015
■ Fayette Cnty Dev Auth Solid Waste Disposal Facility RB (Georgia-Pacific Corp) Series 1995 1.16%, 07/07/04	11,100	11,100	■ Wisconsin Housing & Economic Development Auth		
■ Marion Cnty Solid Waste Disposal Facility RB (Grant Town Cogeneration) Series 1990B 1.08%, 07/07/04	21,225	21,225	■+■ Business Development RB (Ultratec) 1995 Series 7 1.33%, 07/07/04	2,350	2,350
■ Solid Waste Disposal Facility RB (Grant Town Cogeneration) Series 1990C 1.08%, 07/07/04	18,100	18,100	■ Home Ownership RB 2004 Series A 1.07%, 07/07/04	29,020	29,020
■ Solid Waste Disposal Facility RB (Grant Town Cogeneration) Series 1990D 1.08%, 07/07/04	3,400	3,400	■ Home Ownership RB Series 1997H 1.17%, 07/07/04	2,685	2,685
		53,825	■ Home Ownership RB Series 2002C 1.05%, 07/07/04	3,000	3,000
			■ Home Ownership RB Series 2002D 1.07%, 07/07/04	1,565	1,565
			■ Home Ownership RB Series 2003B 1.07%, 07/07/04	15,000	15,000

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+■ • Homeownership RB Series 1999A 1.20%, 07/07/04	8,955	8,955
+■ • Housing RB Series 2002 B 1.13%, 07/07/04	16,380	16,380
+■ • S/F Draw Down RB Series 2003I 1.18%, 07/07/04	17,865	17,865
Wisconsin Rapids		
+■ IDRB (Thiele Kaolin) Series 1998 1.16%, 07/07/04	4,500	4,500
		224,690
Wyoming 0.1%		
Lincoln Cnty		
■ Pollution Control RB (EXXON) Series 1984B 1.00%, 07/01/04	500	500
Wyoming Community Development Auth		
■ • Housing RB 1997 Series 4 1.17%, 07/07/04	2,320	2,320
■ • Housing RB 2001 Series 1 1.17%, 07/07/04	5,480	5,480
		8,300

End of investments.

Statement of

Assets and Liabilities

As of June 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$13,586,446
Cash	1,689
Receivables:	
Fund shares sold	35,761
Interest	36,351
Investments sold	107,922
Prepaid expenses	+ 735
Total assets	13,768,904

Liabilities

Payables:	
Fund shares redeemed	20,230
Dividends to shareholders	3,099
Investments bought	712,426
Investment adviser and administrator fees	76
Transfer agent and shareholder service fees	112
Accrued expenses	+ 500
Total liabilities	736,443

Net Assets

Total assets	13,768,904
Total liabilities	– 736,443
Net assets	\$13,032,461

Net Assets by Source

Capital received from investors	13,035,261
Net investment income not yet distributed	73
Net realized capital losses	(2,873)

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Sweep Shares	\$7,478,224		7,481,197		\$1.00
Value Advantage Shares	\$3,667,381		3,667,433		\$1.00
Select Shares	\$638,496		638,516		\$1.00
Institutional Shares	\$1,248,360		1,248,382		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$13,586,446. During the reporting period, the fund had \$2,962,993 in transactions with other Schwab Funds.

Federal Tax Data**Cost basis of portfolio** \$13,586,446**As of December 31, 2003:****Undistributed earnings:**

Tax-exempt income	\$25
Long-term capital gains	–

Unused capital losses:

Expires 12/31 of:	Loss amount:
2004	\$338
2005	523
2007	775
2008	873
2011	+ 241

\$2,750

Statement of

Operations

For January 1, 2004 through June 30, 2004; unaudited. All numbers x 1,000.

Investment Income

Interest	\$68,204
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Net Realized Gains and Losses

Net realized losses on investments sold	(71)
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Expenses

Investment adviser and administrator fees	22,236
Transfer agent and shareholder service fees:	
Sweep Shares	16,867
Value Advantage Shares	4,180
Select Shares	643
Institutional Shares	1,090
Trustees' fees	31
Custodian and portfolio accounting fees	528
Professional fees	28
Registration fees	237
Shareholder reports	171
Other expenses	+ 60
Total expenses	46,071
Expense reduction	- 10,571
Net expenses	35,500

Increase in Net Assets from Operations

Total investment income	68,204
Net expenses	- 35,500
Net investment income	32,704
Net realized losses	+ (71)
Increase in net assets from operations	\$32,633

Unless stated, all numbers x 1,000.

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets as follows:

Transfer Agent Services:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.25
Value Advantage Shares	0.05
Select Shares	0.05
Institutional Shares	0.05

Shareholder Services:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.20
Value Advantage Shares	0.17
Select Shares	0.17
Institutional Shares	0.17

These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

Includes \$8,488 from the investment adviser (CSIM) and \$2,083 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the operating expenses of this fund through April 30, 2005, as follows:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.66
Value Advantage Shares	0.45
Select Shares	0.35
Institutional Shares	0.24

This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.
Figures for the current period are unaudited.

Operations

	1/1/04-6/30/04	1/1/03-12/31/03
Net investment income	\$32,704	\$69,287
Net realized losses	+ (71)	(208)
Increase in net assets from operations	32,633	69,079

Distributions Paid**Dividends from Net Investment Income**

Sweep Shares	14,966	34,685
Value Advantage Shares	11,546	31,426
Select Shares	2,078	1,306
Institutional Shares	+ 4,066	1,845
Total dividends from net investment income	32,656	69,262

Transactions in Fund Shares**Shares Sold**

Sweep Shares	16,327,237	27,215,378
Value Advantage Shares	2,038,987	5,280,015
Select Shares	792,816	859,347
Institutional Shares	+ 1,967,297	1,161,958
Total shares sold	21,126,337	34,516,698

Shares Reinvested

Sweep Shares	13,305	34,072
Value Advantage Shares	9,472	28,395
Select Shares	1,662	1,192
Institutional Shares	+ 3,095	1,497
Total shares reinvested	27,534	65,156

Shares Redeemed

Sweep Shares	(16,356,111)	(27,190,937)
Value Advantage Shares	(2,281,751)	(5,887,801)
Select Shares	(630,081)	(386,420)
Institutional Shares	+ (1,440,323)	(445,142)
Total shares redeemed	(20,708,266)	(33,910,300)

Net transactions in fund shares	445,605	671,554
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Net Assets

Beginning of period	12,586,879	11,915,508
Total increase	+ 445,582	671,371
End of period	\$13,032,461	\$12,586,879

Unless stated, all numbers x 1,000.

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars. The fund started offering Select Shares and Institutional Shares on June 2, 2003.

Represents shares sold plus shares reinvested, minus shares redeemed.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Notes unaudited

Business Structure of the Fund

The fund discussed in this report is a series of The Charles Schwab Family of Funds, a no-load, open-end management investment company. The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the fund in this report and its trust.

The fund offers four share classes: Sweep Shares, Value Advantage Shares, Select Shares and Institutional Shares. Shares of each class represent interests in the same portfolio, but each class has different expenses and investment minimums.

Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

Fund Operations

Most of the fund's investments are described in sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the fund's business operations also are described here.

The fund declares dividends every day it is open for business. These dividends, which are equal to the fund's net investment income for that day, are paid out to shareholders once a month. The fund may make distributions from any net realized capital gains once a year.

The fund may buy securities on a delayed-delivery basis. In these transactions, the fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, the fund could end up paying more for the security than its market value

at the time of settlement. The fund has set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

The fund pays fees to affiliates of the investment adviser for various services. Through its trust, the fund has agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the fund that may limit the total expenses charged. The rates and limitations for these fees are described in the fund's Statement of Operations.

The fund may engage in certain transactions involving affiliates. The fund may make direct transactions with certain other Schwab Funds when practical. When one fund is seeking to sell a security that another is

The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The fund discussed in this report is highlighted.

The Charles Schwab Family of Funds

organized October 20, 1989

Schwab Money Market Fund

Schwab Government Money Fund

Schwab U.S. Treasury Money Fund

Schwab Value Advantage Money Fund

Schwab Municipal Money Fund

Schwab California Municipal Money Fund

Schwab New York Municipal Money Fund

Schwab New Jersey Municipal Money Fund

Schwab Pennsylvania Municipal Money Fund

Schwab Florida Municipal Money Fund

Schwab Massachusetts Municipal Money Fund

Schwab Retirement Advantage Money Fund

Schwab Retirement Money Fund

Schwab Government Cash Reserves

seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

Pursuant to an exemptive order issued by the SEC, the funds may enter into interfund borrowing and lending transactions within the Schwab Funds. All loans are for temporary or emergency purposes only. The interest rate charged on the loan is the average of the overnight repurchase agreement rate and the short-term bank loan rate. The interfund lending facility is subject to the oversight and periodic review of the Board of Trustees of the Schwab Funds.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such “interested persons” who may serve on a trust’s board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund’s Statement of Operations.

The fund may borrow money from banks and custodians. The fund may obtain temporary bank loans through the trust to use for meeting shareholder redemptions or for extraordinary or emergency purposes. The trust has custodian overdraft facilities and line of credit arrangements of \$150 million and \$100 million with PNC Bank, N.A. and Bank of America, N.A., respectively. The fund pays interest on the amounts it borrows at rates that are negotiated periodically.

The fund intends to meet federal income and excise tax requirements for regulated investment companies. Accordingly, the fund distributes substantially all of their net investment income and net realized capital gains (if any) to its respective shareholders each year. As long as the fund meets the tax requirements, it is not required to pay federal income tax.

Under the fund’s organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the fund. In addition, in the normal course of business the fund enters into contracts with its vendors and others that provide general indemnifications. The fund’s maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the fund. However, based on experience, the fund expects the risk of loss to be remote.

Accounting Policies

The following are the main policies the fund uses in preparing their financial statements.

The fund values its securities at amortized cost, which approximates market value.

Security transactions are recorded as of the date the order to buy or sell the security is executed.

Interest income is recorded as it accrues. If the fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than its face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security’s call date and price, rather than the maturity date and price.

Realized gains and losses from security transactions are based on the identified costs of the securities involved.

Expenses that are specific to the fund or a class are charged directly to the fund or class. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their average daily net assets.

For funds offering multiple share classes, all of the realized and unrealized gains or losses and net investment income, other than class specific expenses, are allocated daily to each class in proportion to its net assets.

The fund maintains its own account for purposes of holding assets and accounting, and is considered a separate entity for tax purposes. Within its account, the fund also keeps certain assets in segregated accounts, as may be required by securities law.

The accounting policies described above conform with accounting principles generally accepted in the United States of America. Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

Fund Trustees unaudited

A fund’s Board of Trustees is responsible for protecting the interests of that fund’s shareholders. The tables below give information about the people who serve as trustees and officers for the SchwabFunds®, including the funds covered in this report. Trustees remain in office until they resign, retire or are removed by shareholder vote.¹

Under the Investment Company Act of 1940, any officer, director, or employee of Schwab or CSIM is considered an “interested person,” meaning that he or she is considered to have a business interest in Schwab or CSIM. These individuals are listed as “interested trustees.” The “independent trustees” are individuals who, under the 1940 Act, are not considered to have a business interest in Schwab or CSIM.

Each of the SchwabFunds® (of which there were 49 as of 6/30/04) belongs to one of these trusts: The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust or Schwab Annuity Portfolios. Currently all these trusts have the same trustees and officers. The address for all trustees and officers is 101 Montgomery Street, San Francisco, CA 94104. You can find more information about the trustees and officers in the Statement of Additional Information, which is available free by calling 1-800-435-4000.

Individuals Who Are Interested Trustees and Officers of the Trust

Name and Birthdate	Trust Position(s); Trustee Since	Main Occupations and Other Directorships and Affiliations
Charles R. Schwab ² 7/29/37	Chair, Trustee: Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, Director, The Charles Schwab Corp., Charles Schwab & Co., Inc. Charles Schwab Investment Management, Inc., Charles Schwab Holdings (UK); CEO, Director, Charles Schwab Holdings, Inc.; Chair, CEO Schwab (SIS) Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, Siebel Systems (software), Xsign, Inc. (electronic payment systems); Trustee, Stanford University. <i>Until 5/04:</i> Director, The Gap, Inc. (clothing retailer). <i>Until 2003:</i> Co-CEO, The Charles Schwab Corp. <i>Until 2002:</i> Director, Audiobase, Inc. (Internet audio solutions). <i>Until 5/02:</i> Director, Vodaphone AirTouch PLC (telecommunications). <i>Until 7/01:</i> Director, The Charles Schwab Trust Co.; TrustMark, Inc.

¹ The SchwabFunds retirement policy requires that independent trustees elected after January 1, 2000 retire at age 72 or after twenty years of service as a trustee, whichever comes first. Independent trustees elected prior to January 1, 2000 will retire on the following schedule: Messrs. Holmes and Dorward will retire on December 31, 2007, and Messrs. Stephens and Wilsey will retire on December 31, 2010.

² In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Mr. Schwab also own stock of The Charles Schwab Corporation.

Individuals Who Are Interested Trustees but Not Officers of the Trust

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Dawn G. Lepore ¹ 3/21/54	2003 (all trusts).	Vice Chair, The Charles Schwab Corp.; <i>Until 10/01</i> : CIO, The Charles Schwab Corporation. <i>Until 1999</i> : EVP, The Charles Schwab Corporation. Director, Wal-Mart Stores, eBay, Inc.

Individuals Who Are Officers of the Trust but Not Trustees

Name and Birthdate	Trust Office(s) Held	Main Occupations and Other Directorships and Affiliations
Randall W. Merk 7/25/54	President, CEO (all trusts).	President, CEO, Charles Schwab Investment Management, Inc.; EVP, Charles Schwab & Co., Inc.; Director, Charles Schwab Worldwide Funds PLC, Charles Schwab Asset Management (Ireland) Ltd. <i>Until 9/02</i> : President, CIO, American Century Investment Management; Director, American Century Cos., Inc. <i>Until 6/01</i> : CIO, Fixed Income, American Century Cos., Inc. <i>Until 1997</i> : SVP, Director, Fixed Income and Quantitative Equity Portfolio Management, Twentieth Century Investors, Inc.
Tai-Chin Tung 3/7/51	Treasurer, Principal Financial Officer (all trusts).	SVP, CFO, Charles Schwab Investment Management, Inc.; SVP, The Charles Schwab Trust Co.; Director, Charles Schwab Asset Management (Ireland) Ltd., Charles Schwab Worldwide Funds PLC.
Stephen B. Ward 4/5/55	SVP, Chief Investment Officer (all trusts).	SVP, Chief Investment Officer, Director, Charles Schwab Investment Management, Inc.; CIO, The Charles Schwab Trust Co.
Koji E. Felton 3/13/61	Secretary (all trusts).	SVP, Chief Counsel, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. <i>Until 6/98</i> : Branch Chief in Enforcement, U.S. Securities and Exchange Commission, San Francisco.

¹ In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Mr. Schwab also own stock of The Charles Schwab Corporation.

Individuals Who Are Independent Trustees

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Mariann Byerwalter 8/13/60	2000 (all trusts).	Chair, JDN Corp. Advisory LLC; Trustee, Stanford University, America First Cos., (venture capital/fund management), Redwood Trust, Inc. (mortgage finance), Stanford Hospitals and Clinics, SRI International (research), PMI Group, Inc. (mortgage insurance), Lucile Packard Children's Hospital, Laudus Trust, Laudus Variable Insurance Trust. <i>2001</i> : Special Advisor to the President, Stanford University. <i>Until 2002</i> : Director, LookSmart, Ltd. (Internet infrastructure). <i>Until 2001</i> : VP, Business Affairs, CFO, Stanford University.
Donald F. Dorward 9/23/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	CEO, Dorward & Associates (corporate management, marketing and communications consulting). <i>Until 1999</i> : EVP, Managing Director, Grey Advertising.
William A. Hasler 11/22/41	2000 (all trusts).	Co-CEO, Aphton Corp. (bio-pharmaceuticals). Trustee, Solectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Corp. (network equipment); Public Governor, Laudus Trust, Laudus Variable Insurance Trust; Member, executive committee, Pacific Stock & Options Exchange. <i>Until 2003</i> : Trustee, Tenera, Inc. (services and software). <i>Until 1998</i> : Dean, Haas School of Business, University of California, Berkeley.
Robert G. Holmes 5/15/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Director, Semloh Financial, Inc. (international financial services and investment advice).
Gerald B. Smith 9/28/50	2000 (all trusts).	Chair, CEO, Founder, Smith Graham & Co. (investment advisors); Trustee, Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products, tools and hardware); Member, audit committee, Northern Border Partners, L.P. (energy). <i>Until 2002</i> : Director, Pennzoil-Quaker State Co. (oil and gas).
Donald R. Stephens 6/28/38	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Managing Partner, D.R. Stephens & Co. (investments). <i>Until 1996</i> : Chair, CEO, North American Trust (real estate investment trust).
Michael W. Wilsey 8/18/43	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Wilsey Bennett, Inc. (transportation, real estate and investments).

Glossary

agency discount notes Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

Alternative Minimum Tax (AMT) A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

asset-backed securities Bonds or other debt securities that represent ownership in a pool of debt obligations such as credit card debt.

bond A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed income securities” or “debt securities.”

An individual bond is subject to the credit risk of the issuer. Changes in interest rates can affect a bond's market value prior to call or maturity. There is no guarantee that a bond's yield to call or maturity will provide a positive return over the rate of inflation.

bond fund A bond fund is subject to the same credit, interest rate, and inflation risks as bonds. In addition, a bond fund incurs ongoing fees and expenses. A bond fund's net asset value will fluctuate with the price of the underlying bonds and the portfolio turnover activity; return of principal is not guaranteed.

bond anticipation notes Obligations sold by a municipality on an interim basis in anticipation of the municipality's issuance of a longer-term bond in the future.

capital gain, capital loss The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

commercial paper Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but

sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

credit-enhanced securities Securities that are backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security's value, are designed to help lower the risk of default on a security and may also make the security more liquid.

credit quality The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

credit ratings Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

credit risk The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

ACES	Adjustable convertible extendable security
BAN	Bond anticipation note
COP	Certificate of participation
GAN	Grant anticipation note
GO	General obligation
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Board
IDRB	Industrial Development Revenue Bond
M/F	Multi-family
RAN	Revenue anticipation note
RB	Revenue bond
S/F	Single-family
TAN	Tax anticipation note
TECP	Tax-exempt commercial paper
TRAN	Tax and revenue anticipation note
VRD	Variable-rate demand

dollar-weighted average maturity (DWAM) See weighted average maturity.

effective yield A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

expense ratio The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

face value The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

illiquid securities Securities are generally considered illiquid if they cannot be disposed of promptly (typically within seven days) and in the ordinary course of business at approximately the amount at which a fund has valued the instruments.

interest Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

liquidity-enhanced security A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

maturity The date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

money market securities High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

muni, municipal bonds, municipal securities Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

net asset value per share (NAV) The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

outstanding shares, shares outstanding When speaking of a company or mutual fund, indicates all shares currently held by investors.

restricted securities Securities that are subject to contractual restrictions on resale and may be sold only to "qualified institutional buyers" under Securities Act Rule 144A. These securities are often purchased in private placement transactions.

revenue anticipation notes Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

section 3c7 securities Section 3c7 of the Investment Company Act of 1940 (the "1940 Act") exempts certain issuers from many regulatory requirements applicable to investment companies under the 1940 Act. An issuer whose outstanding securities are exclusively owned by "qualified purchasers" and who is not making or proposing to make a public offering of the securities may qualify for this exemption.

section 4(2)/144A securities Securities exempt from registration under Section 4(2) of the Securities Act of 1933. These securities may be sold only to qualified institutional buyers under Securities Act Rule 144A.

taxable-equivalent yield The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ($4.5\% \div [1 - 0.25\%] = 6.0\%$).

total return The percentage that an investor would have earned or lost on an investment in the fund assuming dividends and distributions were reinvested.

tax anticipation notes Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

Tier 1, Tier 2 Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

weighted average maturity For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

yield The income paid out by an investment, expressed as a percentage of the investment's market value.

Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a clearly defined investment approach and using disciplined management strategies. The list at right shows all currently available SchwabFunds®.

Whether you're an experienced investor or just starting out, SchwabFunds® can help you achieve your financial goals. An investor should consider a fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information can be found in the fund's prospectus. Please call 1-800-435-4000 for a prospectus and brochure for any SchwabFund®. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

Methods for Placing Orders

The following information outlines how Schwab investors can place orders. If you are investing through a third-party investment provider, methods for placing orders may be different.

Internet¹

www.schwab.com

Schwab by Phone™²

Use our automated voice service or speak to a representative. Call **1-800-435-4000**, day or night (for TDD service, call **1-800-345-2550**).

TeleBroker®

Automated touch-tone phone service at **1-800-272-4922**.

Mail

Write to SchwabFunds® at:
P.O. Box 3812
Englewood, CO 80155-3812

When selling or exchanging shares, be sure to include the signatures of at least one of the persons whose name is on the account.

Proxy Voting Policies and Procedures

A description of the proxy voting policies and procedures used to determine how to vote proxies on behalf of the funds is available without charge, upon request, by visiting Schwab's web site at www.schwab.com/schwabfunds, the SEC's web site at <http://www.sec.gov>, or by contacting SchwabFunds at 1-800-435-4000.

The SchwabFunds Family®

Stock Funds

Schwab S&P 500 Fund
Schwab 1000 Fund®
Schwab Small-Cap Index Fund®
Schwab Total Stock Market Index Fund®
Schwab International Index Fund®
Schwab Core Equity Fund™
Schwab Dividend Equity Fund™
Schwab Small-Cap Equity Fund™
Schwab Hedged Equity Fund™
Schwab Focus Funds
 Communications Focus Fund
 Financial Services Focus Fund
 Health Care Focus Fund
 Technology Focus Fund
Schwab MarketMasters Funds®
 Schwab U.S. MarketMasters Fund™
 Schwab Small-Cap MarketMasters Fund™
 Schwab International MarketMasters Fund™
 Schwab Balanced MarketMasters Fund™

Asset Allocation Funds

Schwab MarketTrack Portfolios®
 Schwab MarketTrack All Equity Portfolio™
 Schwab MarketTrack Growth Portfolio™
 Schwab MarketTrack Balanced Portfolio™
 Schwab MarketTrack Conservative Portfolio™

Bond Funds

Schwab YieldPlus Fund®
Schwab Short-Term Bond Market Fund™
Schwab Total Bond Market Fund™
Schwab GNMA Fund™
Schwab Short/Intermediate Tax-Free Bond Fund™
Schwab Long-Term Tax-Free Bond Fund™
Schwab California Short/Intermediate Tax-Free Bond Fund™
Schwab California Long-Term Tax-Free Bond Fund™

Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.³ Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically, subject to availability, when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

¹ Shares of Sweep Investments™ may not be purchased directly over the Internet.

² Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

³ Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

Investment Adviser

Charles Schwab Investment Management, Inc.
101 Montgomery Street, San Francisco, CA 94104

Distributor

SchwabFunds®
P.O. Box 3812, Englewood, CO 80155-3812

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Schwab Government Cash ReservesTM

Semiannual Report

June 30, 2004

In This Report

Schwab Government Cash Reserves

Ticker Symbol: **SWHXX**

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From the Chairman



Charles R. Schwab
Chairman

When I founded Schwab 30 years ago, our goal was to offer investors the highest quality brokerage services at the lowest possible price.

As the company evolved and our client base grew, we continued to offer products and services that were aligned with this vision. Whether it was on-line trading, a mutual fund supermarket, or specific funds that take advantage of new tax laws, we have a history of offering innovative products and services that are based on your investment needs.

Today, we continue to build on this heritage. More specifically, as we conceptualize, develop and analyze new products, we consistently question how our shareholders will benefit. We also research the ways in which the products are delivered, so we can continue to provide the products and services that will help you meet your financial goals. On the next page, Randy Merk, president of SchwabFunds®, elaborates on how some products may help to reduce your fund expenses.

On behalf of SchwabFunds®, I thank you for investing with us, and remind you that our commitment to our shareholders will never waver.

Sincerely,

A handwritten signature in dark ink that reads "Charles R. Schwab". The signature is fluid and cursive, with the first name "Charles" being the most prominent.

Management's Discussion

for the six months ended June 30, 2004



Randall W. Merk is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

To elaborate on Chuck Schwab's letter on the previous page, we not only listen to our shareholders' requests, we also try to anticipate your investing needs. Because we know that fees and expenses can reduce your mutual fund returns, we consistently look for ways that we can offer you a better value.

One way we can help you is by offering lower-priced share classes for some of the more popular SchwabFunds. Select Shares® and Value Advantage Shares™ are share classes that offer lower expense levels in exchange for higher investment minimums. I like to compare it to buying name-brand products in bulk from a warehouse-type store, rather than purchasing smaller quantities from the corner market. It's the same product but is less expensive when you can buy in bulk.

Our Value Advantage Shares, for example, are available for many of our money funds if you initially invest \$25,000 or more. The expense levels on these types of shares can be lower than what the Sweep Shares for the same fund carry.

This is why I encourage you to review your accounts to see if you are eligible to purchase these money-saving shares. If you would like to learn more about these potentially cost-saving shares, as well as which of our stock and bond funds offer Select Shares, our investment consultants are available to assist you.

Thank you for investing with us.

Sincerely,

Randall W. Merk



Karen Wiggan, a vice president of the investment adviser and senior portfolio manager, has been responsible for day-to-day management of the fund since 1999. She joined the firm in 1987 and has worked in fixed-income portfolio management since 1991.

The Investment Environment and the Fund

The encouraging economic climate that was reported in late 2003 continued to improve into 2004. Businesses added to their inventories, factory orders rose amid the pick-up in capital spending and production gained some strength. Retail sales continued to rise, despite a pause in the upward trend in consumer confidence. Mortgage refinancing activity, while still significant, waned as mortgage rates inched slightly upward. The only big piece missing was job growth, which remained sluggish through the beginning of first quarter.

Amid this benign inflationary environment, the Federal Reserve (the Fed) elected to hold the Fed funds rate at a 45-year low in March to provide liquidity necessary to maintain economic growth. Job growth picked up strongly in March and continued into the second quarter. With the economic recovery now broad-based, investors, who only a year ago feared deflation, now started to worry about inflation.

Inflationary concerns were based on surging oil prices, which hit a 13-year high amid tight supplies. And while commodity prices moderated somewhat during the report period, previous increases started to show up in broad measures of inflation. Labor costs also were beginning to rise.

During the second quarter, in anticipation of the Fed tightening (raising rates), we began shortening the weighted average maturities of our money funds. During that time, most market watchers expected the Fed to raise interest rates, and it did at the end of June. At that time the Federal Open Market Committee increased the Fed funds target 0.25% to 1.25%, the first rate hike since May 2000, when the Fed funds target was raised to 6.50%.

Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/04

Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yield includes the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate.

Seven-Day Yield ¹	0.06%
Seven-Day Yield–No Waiver ²	-0.30%
Seven-Day Effective Yield ¹	0.06%

The performance data quoted represents past performance. Past performance does not guarantee future results. Current performance may be lower or higher than performance data quoted. To obtain more current performance information, please visit www.schwab.com.

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

Weighted Average Maturity	19 days
Credit Quality of Holdings % of portfolio	100% Tier 1

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

Portfolio holdings may have changed since the report date.
¹ Fund expenses have been partially absorbed by CSIM and Schwab.
² Yield if fund expenses had not been partially absorbed by CSIM and Schwab. Please refer to the Statement of Operations for additional information on expense waivers.

Financial Statements

Financial Highlights

	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.00 ¹	0.01	0.03	0.05	0.04
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.00) ¹	(0.01)	(0.03)	(0.05)	(0.04)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.03 ²	0.08	0.68	3.08	5.33	4.28
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	1.00 ^{3,4}	1.14 ⁵	1.25	1.25	1.14 ⁶	0.95
Gross operating expenses	1.45 ³	1.45	1.41	1.50	1.47	1.09
Net investment income	0.05 ³	0.08	0.67	2.99	5.24	4.34
Net assets, end of period (\$ x 1,000,000)	609	644	639	562	412	198

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ In addition to the guaranteed expense limit in place, the investment adviser voluntarily reduced the fund's annualized operating expense ratio by an additional 0.25%.

⁵ In addition to the guaranteed expense limit in place, the investment adviser voluntarily reduced the fund's annualized operating expense ratio by an additional 0.11%.

⁶ The ratio of net operating expenses would have been 1.13% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of June 30, 2004; unaudited

This section shows all the securities in the fund's portfolio and their value, as of the report date.

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Value (\$x1,000)
48.7% U.S. Government Securities	296,467	296,467
53.2% Other Investments	324,146	324,146
101.9% Total Investments	620,613	620,613
(1.9)% Other Assets and Liabilities		(11,751)
100.0% Total Net Assets		608,862

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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U.S. Government Securities 48.7% of net assets

Discount Notes 32.3%

Fannie Mae		
1.04%, 07/14/04	19,900	19,893
1.03%, 07/21/04	15,000	14,991
1.05%, 07/21/04	4,485	4,482
1.08%, 07/21/04	3,700	3,698
1.09%, 07/21/04	2,800	2,798
1.35%, 08/04/04	3,600	3,595
1.08%, 08/11/04	2,471	2,468
1.14%, 08/16/04	10,000	9,985

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.30%, 08/20/04	1,000	998
1.18%, 09/22/04	8,000	7,978
1.56%, 10/01/04	12,244	12,196
1.53%, 12/01/04	4,273	4,245

Federal Home Loan Bank

1.05%, 07/12/04	1,000	1,000
1.05%, 07/23/04	4,166	4,164
1.06%, 07/23/04	6,000	5,996
1.30%, 08/11/04	1,000	999
1.25%, 08/18/04	3,375	3,369

Freddie Mac

1.10%, 07/08/04	22,000	21,995
1.06%, 07/13/04	1,000	1,000
1.30%, 07/13/04	2,475	2,474
1.05%, 07/15/04	2,000	1,999
1.08%, 07/15/04	1,900	1,899
1.11%, 07/15/04	1,832	1,831
1.01%, 07/20/04	14,000	13,993
1.09%, 07/20/04	1,500	1,499
1.10%, 07/20/04	5,989	5,986
1.08%, 08/12/04	6,700	6,692
1.30%, 08/12/04	1,000	998
1.33%, 09/07/04	12,789	12,757
1.45%, 09/21/04	10,000	9,967
1.18%, 09/23/04	1,200	1,197
1.57%, 10/12/04	2,338	2,328
1.63%, 12/07/04	7,000	6,950

196,420

Coupon Notes 16.4%**Federal Home Loan Bank**

4.00%, 02/15/05	3,000	3,037
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Freddie Mac

3.00%, 07/15/04	80,000	80,059
6.25%, 07/15/04	8,725	8,742
4.50%, 08/15/04	5,000	5,021
3.25%, 11/15/04	2,175	2,187

Sallie Mae

3.38%, 07/15/04	1,000	1,001
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100,047

Security	Maturity Amount (\$ x 1,000)	Value (\$ x 1,000)
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Other Investments 53.2% of net assets

Repurchase Agreements 53.2%

Credit Suisse First Boston L.L.C.

Tri-Party Repurchase Agreement

Collateralized by U.S. Government

Securities with a value of \$85,830

1.50%, issued 06/30/04, due 07/01/04	34,147	34,146
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1.07%, issued 06/04/04, due 07/07/04	50,049	50,000
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Goldman Sachs & Co.

Tri-Party Repurchase Agreement

Collateralized by U.S. Government

Securities with a value of \$122,400

1.56%, issued 06/30/04, due 07/01/04	120,005	120,000
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UBS Financial Services, Inc.

Tri-Party Repurchase Agreement

Collateralized by U.S. Government

Securities with a value of \$122,404

1.55%, issued 06/30/04, due 07/01/04	120,005	120,000
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324,146

End of investments.

Statement of

Assets and Liabilities

As of June 30, 2004; unaudited. All numbers x 1,000 except NAV.

Unless stated, all numbers x 1,000.

Assets

Investments, at value	\$296,467
Repurchase agreements, at value	324,146
Interest	1,566
Prepaid expenses	+ 195
Total assets	622,374

The amortized cost for the fund's securities was \$620,613.

Liabilities

Payables:	
Dividends to shareholders	13
Investments bought	12,196
Transfer agent and shareholder service fees	8
Transaction service fees	1,203
Accrued expenses	+ 92
Total liabilities	13,512

Net Assets

Total assets	622,374
Total liabilities	- 13,512
Net assets	\$608,862

Net Assets by Source

Capital received from investors	608,885
Net realized capital losses	(23)

Net Asset Value (NAV)

Net Assets	÷	Shares Outstanding	=	NAV
\$608,862		608,885		\$1.00

Federal Tax Data**Cost basis of portfolio** \$620,613**As of December 31, 2003:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2007	\$1
2011	+ 22
	\$23

Statement of

Operations

For January 1, 2004 through June 30, 2004; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$3,241****Expenses**

Investment adviser and administrator fees 1,175

Transfer agent and shareholder service fees 1,391

Transaction service fees 1,700

Trustees' fees 13

Custodian and portfolio accounting fees 33

Professional fees 13

Registration fees 104

Shareholder reports 46

Other expenses + 5

Total expenses 4,480

Expense reduction - 1,395

Net expenses 3,085**Increase in Net Assets from Operations****Total investment income 3,241****Net expenses - 3,085****Net investment income 156****Increase in net assets from operations \$156**

Unless stated, all numbers x 1,000.

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets. These fees are paid to Charles Schwab & Co.

For transaction services, Schwab receives a fee based on the number and type of transactions provided.

For the fund's independent trustees only.

This reduction consisted of two components. A reduction of \$616, which reduced the fund's annualized operating expense ratio (OER) by 0.20%, was made by the investment adviser (CSIM) to reflect a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the OER of this fund through April 30, 2005, to 1.25% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses. Also, CSIM voluntarily waived an additional \$779 of the fund's expenses, which reduced the fund's annualized OER by an additional 0.25%. The combination of these two waivers resulted in a net annualized OER for the period of 1.00%.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.
Figures for the current period are unaudited.

Operations

	1/1/04-6/30/04	1/1/03-12/31/03
Net investment income	\$156	\$502
Net realized losses	+ —	(22)
Increase in net assets from operations	156	480

Distributions Paid

Dividends from net investment income	156	502
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Transactions in Fund Shares

Shares sold	3,098,135	6,056,415
Shares reinvested	136	481
Shares redeemed	+ (3,132,985)	(6,052,786)
Net transactions in fund shares	(34,714)	4,110

Net Assets

Beginning of period	643,576	639,488
Total increase or decrease	+ (34,714)	4,088
End of period	\$608,862	\$643,576

Unless stated, all numbers x 1,000.

The tax-basis components of distributions for the period ended 12/31/03 are:

Ordinary income	\$502
Long-term capital gains	\$—

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Notes unaudited

Business Structure of the Fund

The fund discussed in this report is a series of The Charles Schwab Family of Funds, a no-load, open-end management investment company. The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the fund in this report and its trust.

The fund offers one share class. Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

Fund Operations

Most of the fund's investments are described in sections earlier in this report. However, there are certain other investments and policies that may affect the fund's financials. The most significant of these are described below. Other policies concerning the fund's business operations also are described here.

The fund declares dividends every day it is open for business. These dividends, which are equal to the fund's net investment income for that day, are paid out to shareholders once a month. The fund may make distributions from any net realized capital gains once a year.

The fund may buy securities on a delayed-delivery basis. In these transactions, the fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, the fund could end up paying more for the security than its market value at the time of settlement. The fund has set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

The fund may enter into repurchase agreements. In a repurchase agreement, the fund buys a security from another party (usually a financial institution) with the agreement that it be sold back in the future. The date, price and other conditions are all specified when the agreement is created. Any repurchase agreement with due dates later than seven days from issue dates may be subject to seven day put features for liquidity purposes.

The fund's repurchase agreements will be fully collateralized by U.S. government securities. All collateral is held by the fund's custodian (or, with tri-party agreements, the agent's bank) and is monitored daily to ensure that its market value is at least equal to the repurchase price under the agreement.

The fund pays fees to affiliates of the investment adviser for various services. Through its trust, the fund has agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent, shareholder services and transaction services.

The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The fund discussed in this report is highlighted.

The Charles Schwab Family of Funds

organized October 20, 1989

- Schwab Money Market Fund
- Schwab Government Money Fund
- Schwab U.S. Treasury Money Fund
- Schwab Value Advantage Money Fund
- Schwab Municipal Money Fund
- Schwab California Municipal Money Fund
- Schwab New York Municipal Money Fund
- Schwab New Jersey Municipal Money Fund
- Schwab Pennsylvania Municipal Money Fund
- Schwab Florida Municipal Money Fund
- Schwab Massachusetts Municipal Money Fund
- Schwab Retirement Advantage Money Fund
- Schwab Retirement Money Fund

Schwab Government Cash Reserves

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the fund that may limit the total expenses charged. The rates and limitations for these fees are described in the fund's Statement of Operations.

The fund may engage in certain transactions involving affiliates. The fund may make direct transactions with certain other SchwabFunds when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

Pursuant to an exemptive order issued by the SEC, the funds may enter into interfund borrowing and lending transactions within the SchwabFunds. All loans are for temporary or emergency purposes only. The interest rate charged on the loan is the average of the overnight repurchase agreement rate and the short-term bank loan rate. The interfund lending facility is subject to the oversight and periodic review of the Board of Trustees of the SchwabFunds.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in the fund's Statement of Operations.

The fund may borrow money from banks and custodians. The fund may obtain temporary bank loans through the trust to use for meeting shareholder redemptions or for extraordinary or emergency purposes. The trust has custodian overdraft facilities and line of credit arrangements of \$150 million and \$100 million with PNC Bank, N.A. and Bank of America, N.A., respectively. The fund pays interest on the amounts that it borrows at rates that are negotiated periodically.

The fund intends to meet federal income and excise tax requirements for regulated investment companies. Accordingly, the fund distributes substantially all of its net investment income and net realized capital gains (if any) to its respective shareholders each year. As long as the fund meets the tax requirements, it is not required to pay federal income tax.

Under the fund's organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the funds. In addition, in the normal course of business the fund enters into contracts with its vendors and others that provide general indemnifications. The fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the fund. However, based on experience, the fund expects the risk of loss to be remote.

Accounting Policies

The following are the main policies the fund uses in preparing its financial statements.

The fund values its securities at amortized cost, which approximates market value.

Security transactions are recorded as of the date the order to buy or sell the security is executed.

Interest income is recorded as it accrues. If the fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than its face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security's call date and price, rather than the maturity date and price.

Realized gains and losses from security transactions are based on the identified costs of the securities involved.

Expenses that are specific to the fund or a class are charged directly to the fund or class. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their average daily net assets.

The fund maintains its own account for purposes of holding assets and accounting, and is considered a separate entity for tax purposes. Within its account, the fund also keeps certain assets in segregated accounts, as may be required by securities law.

The accounting policies described above conform with accounting principles generally accepted in the United States of America. Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

Fund Trustees unaudited

A fund’s Board of Trustees is responsible for protecting the interests of that fund’s shareholders. The tables below give information about the people who serve as trustees and officers for the SchwabFunds®, including the funds covered in this report. Trustees remain in office until they resign, retire or are removed by shareholder vote.¹

Under the Investment Company Act of 1940, any officer, director, or employee of Schwab or CSIM is considered an “interested person,” meaning that he or she is considered to have a business interest in Schwab or CSIM. These individuals are listed as “interested trustees.” The “independent trustees” are individuals who, under the 1940 Act, are not considered to have a business interest in Schwab or CSIM.

Each of the SchwabFunds® (of which there were 49 as of 6/30/04) belongs to one of these trusts: The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust or Schwab Annuity Portfolios. Currently all these trusts have the same trustees and officers. The address for all trustees and officers is 101 Montgomery Street, San Francisco, CA 94104. You can find more information about the trustees and officers in the Statement of Additional Information, which is available free by calling 1-800-435-4000.

Individuals Who Are Interested Trustees and Officers of the Trust

Name and Birthdate	Trust Position(s); Trustee Since	Main Occupations and Other Directorships and Affiliations
Charles R. Schwab ² 7/29/37	Chair, Trustee: Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, Director, The Charles Schwab Corp., Charles Schwab & Co., Inc. Charles Schwab Investment Management, Inc., Charles Schwab Holdings (UK); CEO, Director, Charles Schwab Holdings, Inc.; Chair, CEO Schwab (SIS) Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, Siebel Systems (software), Xsign, Inc. (electronic payment systems); Trustee, Stanford University. <i>Until 5/04:</i> Director, The Gap, Inc. (clothing retailer). <i>Until 2003:</i> Co-CEO, The Charles Schwab Corp. <i>Until 2002:</i> Director, Audiobase, Inc. (Internet audio solutions). <i>Until 5/02:</i> Director, Vodaphone AirTouch PLC (telecommunications). <i>Until 7/01:</i> Director, The Charles Schwab Trust Co.; TrustMark, Inc.

¹ The SchwabFunds retirement policy requires that independent trustees elected after January 1, 2000 retire at age 72 or after twenty years of service as a trustee, whichever comes first. Independent trustees elected prior to January 1, 2000 will retire on the following schedule: Messrs. Holmes and Dorward will retire on December 31, 2007, and Messrs. Stephens and Wilsey will retire on December 31, 2010.

² In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Mr. Schwab also own stock of The Charles Schwab Corporation.

Individuals Who Are Interested Trustees but Not Officers of the Trust

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Dawn G. Lepore ¹ 3/21/54	2003 (all trusts).	Vice Chair, The Charles Schwab Corp.; <i>Until 10/01</i> : CIO, The Charles Schwab Corporation. <i>Until 1999</i> : EVP, The Charles Schwab Corporation. Director, Wal-Mart Stores, eBay, Inc.

Individuals Who Are Officers of the Trust but Not Trustees

Name and Birthdate	Trust Office(s) Held	Main Occupations and Other Directorships and Affiliations
Randall W. Merk 7/25/54	President, CEO (all trusts).	President, CEO, Charles Schwab Investment Management, Inc.; EVP, Charles Schwab & Co., Inc.; Director, Charles Schwab Worldwide Funds PLC, Charles Schwab Asset Management (Ireland) Ltd. <i>Until 9/02</i> : President, CIO, American Century Investment Management; Director, American Century Cos., Inc. <i>Until 6/01</i> : CIO, Fixed Income, American Century Cos., Inc. <i>Until 1997</i> : SVP, Director, Fixed Income and Quantitative Equity Portfolio Management, Twentieth Century Investors, Inc.
Tai-Chin Tung 3/7/51	Treasurer, Principal Financial Officer (all trusts).	SVP, CFO, Charles Schwab Investment Management, Inc.; SVP, The Charles Schwab Trust Co.; Director, Charles Schwab Asset Management (Ireland) Ltd., Charles Schwab Worldwide Funds PLC.
Stephen B. Ward 4/5/55	SVP, Chief Investment Officer (all trusts).	SVP, Chief Investment Officer, Director, Charles Schwab Investment Management, Inc.; CIO, The Charles Schwab Trust Co.
Koji E. Felton 3/13/61	Secretary (all trusts).	SVP, Chief Counsel, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. <i>Until 6/98</i> : Branch Chief in Enforcement, U.S. Securities and Exchange Commission, San Francisco.

¹ In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Mr. Schwab also own stock of The Charles Schwab Corporation.

Individuals Who Are Independent Trustees

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Mariann Byerwalter 8/13/60	2000 (all trusts).	Chair, JDN Corp. Advisory LLC; Trustee, Stanford University, America First Cos., (venture capital/fund management), Redwood Trust, Inc. (mortgage finance), Stanford Hospitals and Clinics, SRI International (research), PMI Group, Inc. (mortgage insurance), Lucile Packard Children's Hospital, Laudus Trust, Laudus Variable Insurance Trust. <i>2001</i> : Special Advisor to the President, Stanford University. <i>Until 2002</i> : Director, LookSmart, Ltd. (Internet infrastructure). <i>Until 2001</i> : VP, Business Affairs, CFO, Stanford University.
Donald F. Dorward 9/23/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	CEO, Dorward & Associates (corporate management, marketing and communications consulting). <i>Until 1999</i> : EVP, Managing Director, Grey Advertising.
William A. Hasler 11/22/41	2000 (all trusts).	Co-CEO, Aphton Corp. (bio-pharmaceuticals). Trustee, Solectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Corp. (network equipment); Public Governor, Laudus Trust, Laudus Variable Insurance Trust; Member, executive committee, Pacific Stock & Options Exchange. <i>Until 2003</i> : Trustee, Tenera, Inc. (services and software). <i>Until 1998</i> : Dean, Haas School of Business, University of California, Berkeley.
Robert G. Holmes 5/15/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Director, Semloh Financial, Inc. (international financial services and investment advice).
Gerald B. Smith 9/28/50	2000 (all trusts).	Chair, CEO, Founder, Smith Graham & Co. (investment advisors); Trustee, Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products, tools and hardware); Member, audit committee, Northern Border Partners, L.P. (energy). <i>Until 2002</i> : Director, Pennzoil-Quaker State Co. (oil and gas).
Donald R. Stephens 6/28/38	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Managing Partner, D.R. Stephens & Co. (investments). <i>Until 1996</i> : Chair, CEO, North American Trust (real estate investment trust).
Michael W. Wilsey 8/18/43	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Wilsey Bennett, Inc. (transportation, real estate and investments).

Glossary

agency discount notes Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

Alternative Minimum Tax (AMT) A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

asset-backed securities Bonds or other debt securities that represent ownership in a pool of debt obligations such as credit card debt.

bond A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed income securities” or “debt securities.”

An individual bond is subject to the credit risk of the issuer. Changes in interest rates can affect a bond's market value prior to call or maturity. There is no guarantee that a bond's yield to call or maturity will provide a positive return over the rate of inflation.

bond fund A bond fund is subject to the same credit, interest rate, and inflation risks as bonds. In addition, a bond fund incurs ongoing fees and expenses. A bond fund's net asset value will fluctuate with the price of the underlying bonds and the portfolio turnover activity; return of principal is not guaranteed.

bond anticipation notes Obligations sold by a municipality on an interim basis in anticipation of the municipality's issuance of a longer-term bond in the future.

capital gain, capital loss The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

commercial paper Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but

sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

credit-enhanced securities Securities that are backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security's value, are designed to help lower the risk of default on a security and may also make the security more liquid.

credit quality The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

credit ratings Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

credit risk The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

ACES	Adjustable convertible extendable security
BAN	Bond anticipation note
COP	Certificate of participation
GAN	Grant anticipation note
GO	General obligation
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Board
IDRB	Industrial Development Revenue Bond
M/F	Multi-family
RAN	Revenue anticipation note
RB	Revenue bond
S/F	Single-family
TAN	Tax anticipation note
TECP	Tax-exempt commercial paper
TRAN	Tax and revenue anticipation note
VRD	Variable-rate demand

dollar-weighted average maturity (DWAM) See weighted average maturity.

effective yield A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

expense ratio The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

face value The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

illiquid securities Securities are generally considered illiquid if they cannot be disposed of promptly (typically within seven days) and in the ordinary course of business at approximately the amount at which a fund has valued the instruments.

interest Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

liquidity-enhanced security A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

maturity The date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

money market securities High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

muni, municipal bonds, municipal securities Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

net asset value per share (NAV) The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

outstanding shares, shares outstanding When speaking of a company or mutual fund, indicates all shares currently held by investors.

restricted securities Securities that are subject to contractual restrictions on resale and may be sold only to "qualified institutional buyers" under Securities Act Rule 144A. These securities are often purchased in private placement transactions.

revenue anticipation notes Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

section 3c7 securities Section 3c7 of the Investment Company Act of 1940 (the "1940 Act") exempts certain issuers from many regulatory requirements applicable to investment companies under the 1940 Act. An issuer whose outstanding securities are exclusively owned by "qualified purchasers" and who is not making or proposing to make a public offering of the securities may qualify for this exemption.

section 4(2)/144A securities Securities exempt from registration under Section 4(2) of the Securities Act of 1933. These securities may be sold only to qualified institutional buyers under Securities Act Rule 144A.

taxable-equivalent yield The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ($4.5\% \div [1 - 0.25\%] = 6.0\%$).

total return The percentage that an investor would have earned or lost on an investment in the fund assuming dividends and distributions were reinvested.

tax anticipation notes Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

Tier 1, Tier 2 Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

weighted average maturity For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

yield The income paid out by an investment, expressed as a percentage of the investment's market value.

Notes

Notes

Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a clearly defined investment approach and using disciplined management strategies. The list at right shows all currently available SchwabFunds®.

Whether you're an experienced investor or just starting out, SchwabFunds® can help you achieve your financial goals. An investor should consider a fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information can be found in the fund's prospectus. Please call 1-800-435-4000 for a prospectus and brochure for any SchwabFund®. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

Methods for Placing Orders

The following information outlines how Schwab investors can place orders. If you are investing through a third-party investment provider, methods for placing orders may be different.

Internet¹

www.schwab.com

Schwab by Phone™²

Use our automated voice service or speak to a representative. Call **1-800-435-4000**, day or night (for TDD service, call **1-800-345-2550**).

TeleBroker®

Automated touch-tone phone service at **1-800-272-4922**.

Mail

Write to SchwabFunds® at:

P.O. Box 3812

Englewood, CO 80155-3812

When selling or exchanging shares, be sure to include the signatures of at least one of the persons whose name is on the account.

Proxy Voting Policies and Procedures

A description of the proxy voting policies and procedures used to determine how to vote proxies on behalf of the funds is available without charge, upon request, by visiting Schwab's web site at www.schwab.com/schwabfunds, the SEC's web site at <http://www.sec.gov>, or by contacting SchwabFunds at 1-800-435-4000.

The SchwabFunds Family®

Stock Funds

Schwab S&P 500 Fund

Schwab 1000 Fund®

Schwab Small-Cap Index Fund®

Schwab Total Stock Market Index Fund®

Schwab International Index Fund®

Schwab Core Equity Fund™

Schwab Dividend Equity Fund™

Schwab Small-Cap Equity Fund™

Schwab Hedged Equity Fund™

Schwab Focus Funds

Communications Focus Fund

Financial Services Focus Fund

Health Care Focus Fund

Technology Focus Fund

Schwab MarketMasters Funds®

Schwab U.S. MarketMasters Fund™

Schwab Small-Cap MarketMasters Fund™

Schwab International MarketMasters Fund™

Schwab Balanced MarketMasters Fund™

Asset Allocation Funds

Schwab MarketTrack Portfolios®

Schwab MarketTrack All Equity Portfolio™

Schwab MarketTrack Growth Portfolio™

Schwab MarketTrack Balanced Portfolio™

Schwab MarketTrack Conservative Portfolio™

Bond Funds

Schwab YieldPlus Fund®

Schwab Short-Term Bond Market Fund™

Schwab Total Bond Market Fund™

Schwab GNMA Fund™

Schwab Short/Intermediate Tax-Free Bond Fund™

Schwab Long-Term Tax-Free Bond Fund™

Schwab California Short/Intermediate
Tax-Free Bond Fund™

Schwab California Long-Term Tax-Free Bond Fund™

Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.³ Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically, subject to availability, when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

¹ Shares of Sweep Investments™ may not be purchased directly over the Internet.

² Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

³ Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

Investment Adviser

Charles Schwab Investment Management, Inc.
101 Montgomery Street, San Francisco, CA 94104

Distributor

SchwabFunds®
P.O. Box 3812, Englewood, CO 80155-3812

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Schwab Municipal Money Funds

Semiannual Report

June 30, 2004

Schwab New York
Municipal Money Fund™

Schwab New Jersey
Municipal Money Fund™

Schwab Pennsylvania
Municipal Money Fund™

Schwab Florida
Municipal Money Fund™

Schwab Massachusetts
Municipal Money Fund™

charles SCHWAB

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From the Chairman



Charles R. Schwab
Chairman

When I founded Schwab 30 years ago, our goal was to offer investors the highest quality brokerage services at the lowest possible price.

As the company evolved and our client base grew, we continued to offer products and services that were aligned with this vision. Whether it was on-line trading, a mutual fund supermarket, or specific funds that take advantage of new tax laws, we have a history of offering innovative products and services that are based on your investment needs.

Today, we continue to build on this heritage. More specifically, as we conceptualize, develop and analyze new products, we consistently question how our shareholders will benefit. We also research the ways in which the products are delivered, so we can continue to provide the products and services that will help you meet your financial goals. On the next page, Randy Merk, president of SchwabFunds®, elaborates on how some products may help to reduce your fund expenses.

On behalf of SchwabFunds®, I thank you for investing with us, and remind you that our commitment to our shareholders will never waver.

Sincerely,

A handwritten signature in dark ink that reads "Charles R. Schwab". The signature is fluid and cursive, with the first name "Charles" being the most prominent.

Management's Discussion for the six months ended June 30, 2004



Randall W. Merk is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

To elaborate on Chuck Schwab's letter on the previous page, we not only listen to our shareholders' requests, we also try to anticipate your investing needs. Because we know that fees and expenses can reduce your mutual fund returns, we consistently look for ways that we can offer you a better value.

One way we can help you is by offering lower-priced share classes for some of the more popular SchwabFunds. Select Shares® and Value Advantage Shares™ are share classes that offer lower expense levels in exchange for higher investment minimums. I like to compare it to buying name-brand products in bulk from a warehouse-type store, rather than purchasing smaller quantities from the corner market. It's the same product but is less expensive when you can buy in bulk.

Our Value Advantage Shares, for example, are available for many of our money funds if you initially invest \$25,000 or more. The expense levels on these types of shares can be lower than what the Sweep Shares for the same fund carry.

This is why I encourage you to review your accounts to see if you are eligible to purchase these money-saving shares. If you would like to learn more about these potentially cost-saving shares, as well as which of our stock and bond funds offer Select Shares, our investment consultants are available to assist you.

Thank you for investing with us.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk". The signature is written in a cursive, flowing style.



Kevin Shaughnessy, CFA, a vice president of the investment adviser and senior portfolio manager, is responsible for the day-to-day management of the Schwab New York, New Jersey and Massachusetts municipal money funds. Prior to joining the firm in 2000, he worked for more than ten years in fixed-income portfolio management.



Walter Beveridge, a portfolio manager, has been responsible for day-to-day management of the Schwab Pennsylvania and Florida municipal money funds since their inception in 1998. Prior to joining the firm in 1992, he worked for nearly ten years in asset management.

The Investment Environment and the Funds

The encouraging economic climate that was reported in late 2003 continued to improve into 2004. Businesses added to their inventories, factory orders rose amid the pick-up in capital spending and production gained some strength. Retail sales continued to rise, despite a pause in the upward trend in consumer confidence. Mortgage refinancing activity, while still significant, waned as mortgage rates inched slightly upward. The only big piece missing was job growth, which remained sluggish through the beginning of first quarter.

Amid this benign inflationary environment, the Federal Reserve (the Fed) elected to hold the Fed funds rate at a 45-year low in March to provide liquidity necessary to maintain economic growth. Job growth picked up strongly in March and continued into the second quarter. With the economic recovery now broad-based, investors, who only a year ago feared deflation, now started to worry about inflation. Most market watchers expected the Fed to raise interest rates, and it did at the end of June. At that time the Federal Open Market Committee increased the Fed funds target 0.25% to 1.25%, the first rate hike since May 2000, when the Fed funds target was raised to 6.50%.

For the first four months of the period, short-term muni yields were unchanged to lower. It wasn't until May and June that we saw a significant rise in yields as it appeared increasingly obvious that the Fed was going to tighten monetary policy. During the six-month period ending June 30, yields on the municipal money funds decreased by an average 0.07%. The weighted average maturities of our municipal money market funds during the report period were an average 15 days longer than our peers.

The funds purchased weekly variable-rate notes and commercial paper with maturities of less than six months during the first four months of the year, as they offered the best relative value while rates remained range bound. Just prior to the Fed tightening, fixed-rate notes with maturities from 6-13 months became very attractive, and we increased our holdings in them. The yield spread between one-year notes and three-month commercial paper widened to approximately 0.50% during this time, significantly higher than the 0.15% three-year average for this spread.

With the economic recovery now broad-based, investors, who only a year ago feared deflation, now started to worry about inflation.

Schwab New York Municipal Money Fund. For the first year in three, New York received more in revenues during fiscal 2004 than it had projected, and ended its year on March 31, 2004 with an \$815 million general fund balance, or 1.9% of general fund expenditures. As of June 30, 2004, New York had not passed a budget for the fiscal year that began on April 1, 2004. The State must close a \$5 billion budget gap for fiscal 2005, partially due to its use of more than \$2 billion in one-time revenues in fiscal 2004, including tobacco bonds and federal grants, which are not available for use again. Further, a court ruling required the state to increase education funding to New York City effective July 2004, and local government leaders are demanding relief from huge state-mandated Medicaid and public-employee pension obligations.

New York City passed its fiscal 2005 budget on June 24, 2004 for the fiscal year beginning July 1, 2004. The City ended its fiscal 2004 year with a \$1.9 billion surplus, which it used to prepay expenses occurring in fiscal 2005. However, many local governments in northern and western New York continue to operate under tremendous financial pressure, as their manufacturing economies have shrunk during the recent national downturn.

Overall, due to the diversity of the state economy as well as its revenue raising ability, New York remains a strong investment-grade credit. As of the report date, the state's general obligation credit ratings were A2/AA (negative outlook)/AA- from Moody's Investors Service, Standard & Poor's and Fitch, respectively.

Schwab New Jersey Municipal Money Fund. New Jersey received revenues in excess of projections in fiscal 2004 (ending June 30, 2004) for the first time since 2001, although the \$24 billion 2004 budget was closed with the use of \$1.3 billion in tobacco-settlement bonds. New Jersey had projected ending the year with a narrow \$250 million general fund balance, but later anticipated that it would end with a \$400 million balance, or a slight 1.6% of expenditures.

Governor James McGreevey signed the \$28 billion fiscal 2005 budget on June 30, 2004, a 16% increase over the previous year. The budget will be balanced with a \$1.9 billion deficit bond, which will be repaid from a variety of small tax increases, as well as \$850 million in revenues from a 41% tax increase on incomes over \$500,000.

Fiscal 2005 will be the third year in a row that the state has used deficit financing to balance the budget, indicating the continued stress under which the state is operating.

Due to the diversity of the state's economy and its revenue-raising ability, New Jersey remains a strong investment-grade credit. As of the report date, New Jersey's ratings were: Aa2 (negative outlook)/AA/AA from Moody's Investors Service, Standard & Poor's and Fitch, respectively.

On July 27, 2004, both Standard & Poor's and Fitch lowered their New Jersey state ratings to AA-, and on July 28, Moody's Investors Service lowered its rating to Aa3.

The Schwab Pennsylvania Municipal Money Fund. The fiscal 2004 budget closed a \$2.4 billion gap and increased the state's subsidies for education by levying a small increase in personal income taxes. In addition to higher revenues from tax increases, Pennsylvania also experienced stronger-than-expected economic growth. This resulted in a \$637 million operating surplus at year end, despite earlier projections of a \$138 million deficit.

Governor Ed Rendell signed the \$22.8 billion fiscal 2005 budget on July 4, 2004. The new budget includes a 4.1% increase in expenditures over the previous year, with the bulk of the revenues going toward Medicaid and educational expenditures. Hours before the adoption of the fiscal 2005 budget, the state dramatically expanded legalized gambling to provide a projected \$1 billion in additional annual school district funding, which may eventually result in property tax relief at the local level.

The state's above-average credit quality is derived from its conservative financial management, increasing economic diversification and moderate debt level. As of the report date, Pennsylvania's ratings were: Aa2/AA/AA from Moody's Investors Service, Standard & Poor's and Fitch, respectively.

Schwab Florida Municipal Money Fund. Though economic growth remained somewhat muted through most of the period, the State of Florida's revenue growth rebounded, particularly its corporate income and stamp-tax collections. On June 30, 2004, the state projected an addition of about \$1.5 billion to year-end reserves for a combined general and stabilization fund balance of \$3.1 billion. In contrast with most states, Florida has benefited from its reliance on sales taxes rather

than personal income taxes, though it continues to face challenges to educate and house a growing K-12 student population. Total non-farm jobs were up 1.5% for 2003, improving on a weak job market in 2002, and grew about 2% on a month-over-month basis through May 2004. The average unemployment rate for 2003 was 5.1%, down from 5.5% in 2002. With its substantial reserves and strong financial controls, the state's ratings at the end of the report period were Aa2/AA+/AA from Moody's Investors Service, Standard & Poor's and Fitch, respectively.

The Schwab Massachusetts Municipal Money Fund. For the first time in four years, fiscal 2004 Massachusetts collected more in revenues than it had projected and ended the year (6/30/04) with an additional \$712 million. The additional revenue, which was predominantly from corporate and personal income tax receipts, reflects 6% higher revenues for the year.

On June 25, 2004, Governor Mitt Romney signed the \$22.4 billion fiscal 2005 budget, after closing a projected \$1.2 billion deficit. The fiscal 2005 budget includes 3.2% growth in spending and the use of about \$800 million non-recurring revenues to balance the budget. The budget provides a small increase to local governments and school districts to partially offset the last three years' cuts, but it does not address the ongoing issue of state support for school building programs. Due to the \$712 million fiscal 2004 windfall, the governor is proposing to cut taxes by that amount, while legislators are proposing to use it to offset the \$800 million non-recurring revenues from fiscal 2004 into the fiscal 2005 budget.

Due to the diversity of the state's economy, its high personal wealth levels and its associated revenue-raising ability, Massachusetts remains a strong investment-grade credit. As of the report date, the state's credit ratings were Aa2 (negative outlook)/AA-/AA- from Moody's Investors Service, Standard & Poor's and Fitch, respectively.

Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/04

Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yields include the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate.

	Municipal Money Funds					
	New York		New Jersey	Pennsylvania	Florida	Massachusetts
	Sweep Shares	Value Advantage Shares				
Seven-Day Yield ¹	0.42%	0.66%	0.45%	0.51%	0.46%	0.52%
Seven-Day Yield—No Waiver ²	0.27%	0.50%	0.24%	0.30%	0.28%	0.27%
Seven-Day Effective Yield ¹	0.42%	0.66%	0.45%	0.51%	0.47%	0.52%
Seven-Day Taxable-Equivalent Effective Yield ^{1, 3}	0.74%	1.16%	0.74%	0.81%	0.72%	0.84%

The performance data quoted represents past performance. Past performance does not guarantee future results. Current performance may be lower or higher than performance data quoted. To obtain more current performance information, please visit www.schwab.com/schwabfunds.

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

	Municipal Money Funds				
	New York	New Jersey	Pennsylvania	Florida	Massachusetts
Weighted Average Maturity	50 days	51 days	54 days	51 days	65 days
Credit Quality of Holdings % of portfolio	100% Tier 1	100% Tier 1	100% Tier 1	100% Tier 1	100% Tier 1
Credit-Enhanced Securities % of portfolio	67%	78%	74%	82%	50%

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

Portfolio holdings may have changed since the report date.

¹ Fund expenses have been partially absorbed by CSIM and Schwab.

² Yield if fund expenses had not been partially absorbed by CSIM and Schwab.

³ Taxable-equivalent effective yields assume the following 2004 maximum tax rates: New York 42.90% (federal regular income, New York state and New York city taxes); New Jersey 39.14%, Pennsylvania 37.00%, and Massachusetts 38.45% (federal regular and state personal income taxes); Florida 35.00% (federal regular income tax). Investment income may be subject to the Alternative Minimum Tax.

Schwab New York Municipal Money Fund™

Financial Statements

Financial Highlights

Sweep Shares	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.00 ¹	0.01	0.02	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.00) ¹	(0.01)	(0.02)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.17 ²	0.41	0.80	2.06	3.39	2.59
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.69 ³	0.69	0.69	0.69	0.70 ⁴	0.69
Gross operating expenses	0.84 ³	0.84	0.85	0.86	0.88	0.91
Net investment income	0.34 ³	0.41	0.80	2.04	3.35	2.57
Net assets, end of period (\$ x 1,000,000)	1,034	1,038	944	889	798	604
Value Advantage Shares	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.01	0.02	0.04	0.03
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.01)	(0.02)	(0.04)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.29 ²	0.66	1.04	2.30	3.64	2.83
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.45 ³	0.45	0.45	0.45	0.46 ⁵	0.45
Gross operating expenses	0.61 ³	0.61	0.62	0.64	0.68	0.71
Net investment income	0.58 ³	0.65	1.04	2.23	3.59	2.81
Net assets, end of period (\$ x 1,000,000)	678	690	676	604	419	296

* Unaudited.

¹ Per share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratio of net operating expenses would have been 0.69% if certain non-routine expenses (proxy fees) had not been included.

⁵ The ratio of net operating expenses would have been 0.45% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of June 30, 2004; unaudited

This section shows all the securities in the fund's portfolio and their value, as of the report date.

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security
- Tender option bond
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category		Cost (\$x1,000)	Value (\$x1,000)
102.3%	Municipal Securities	1,751,337	1,751,337
102.3%	Total Investments	1,751,337	1,751,337
(2.3)%	Other Assets and Liabilities		(39,098)
100.0%	Total Net Assets		1,712,239

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
-------------------------------	-----------------------------	-----------------------

Municipal Securities 102.3% of net assets

New York 100.5%**Albany City SD**

BAN Series 2004		
1.02%, 03/25/05	15,000	15,079
BAN Series 2004A		
1.02%, 03/25/05	10,425	10,480

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
-------------------------------	-----------------------------	-----------------------

Albany IDA

✦■ IDRB (Newkirk Products Project)		
Series 1995A		
1.13%, 07/07/04	1,000	1,000
✦■ Refunding IDRB (United Cerebral Palsy Association of the Capital District) 1997B		
1.11%, 07/07/04	10,500	10,500

Broome Cnty IDA

✦■ Civic Facility RB 2003 Series (Elizabeth Church Manor Nursing Home)		
1.05%, 07/07/04	6,370	6,370
✦■ Civic Facility RB 2003 Series (Methodist Homes For the Aging)		
1.05%, 07/07/04	5,915	5,915

Buffalo

✦ RAN 2003-2004 A		
1.08%, 07/29/04	10,000	10,013

Chautauqua Cnty

✦■ Civic Facility RB (Jamestown Center City Development Corp) Series 2000A		
1.13%, 07/07/04	11,810	11,810
✦■ IDRB (Grafc Industries Ltd Partnership) Series 2002		
1.13%, 07/07/04	6,865	6,865

Connetquot Central SD

BAN 2004		
1.07%, 01/27/05	14,000	14,074

Cornwall Central SD

BAN 2003		
1.04%, 10/15/04	29,286	29,366

Creektowaga CSD

BAN Series 2004A		
1.60%, 06/03/05	17,505	17,728

Dutchess Cnty IDA

✦■ IDRB (Mechtronics Corp Project)		
Series 1998		
1.23%, 07/07/04	2,825	2,825

East Meadow Union Free SD

▲ 2004 TAN		
1.57%, 06/29/05	3,000	3,034

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Herkimer Cnty			Transportation Refunding RB		
➤ Civic Facility RB Series 2000 (Templeton Foundation) 1.15%, 07/07/04	1,800	1,800	Series 2002A 1.11%, 07/07/04	22,000	22,000
Herrick Union Free SD			Transportation Refunding RB		
▲ 2004 TAN 1.57%, 06/29/05	8,000	8,089	Series 2002G-2 1.08%, 07/07/04	8,000	8,000
Islip Union Free SD			Transportation Revenue BAN		
▲ 2004 TAN 1.65%, 06/29/05	6,750	6,839	Sub-series B 1.00%, 08/12/04	20,000	20,000
Jay Street Development Corp			Transportation Variable Rate RB		
➤ Courts Facility Lease RB Fiscal 2004 Series A Sub-series A-4 1.03%, 07/01/04	3,200	3,200	Series 2002D-2 1.06%, 07/07/04	4,500	4,500
Lindenhurst Union Free SD			Transportation Variable Rate RB		
2004 TAN 1.60%, 06/23/05	8,400	8,493	Series 2004A-3 1.10%, 07/07/04	13,000	13,000
Livingston Cnty			Nassau Cnty		
BAN 2004 1.60%, 06/16/05	36,027	36,502	GO TAN 2003 Series B 1.13%, 10/15/04	28,700	28,772
Long Island Power Auth			New York City		
➤ Commercial Paper Notes Series CP-2 1.02%, 08/10/04	6,000	6,000	GO Bonds Fiscal 1994 Series A-7 1.04%, 07/01/04	3,000	3,000
➤ Commercial Paper Notes Series CP-3 1.10%, 07/12/04	8,000	8,000	1.04%, 07/01/04	600	600
➤ Electric System General RB Series 1998A 1.11%, 07/07/04	21,000	21,000	➤ GO Bonds Fiscal 1994 Series H-3 1.03%, 07/01/04	2,200	2,200
➤ Electric System General RB Series 2001A 1.11%, 07/07/04	4,365	4,365	➤ GO Bonds Fiscal 1997 Series E 1.14%, 08/01/04	3,140	3,153
➤ Electric System RB Series 1998A 1.05%, 07/07/04	1,900	1,900	➤ GO Bonds Fiscal 1998D 1.08%, 07/07/04	26,000	26,000
➤ Electric System Subordinated RB 1998 Series 7B 1.00%, 07/07/04	1,500	1,500	➤ GO Bonds Fiscal 2000 Series A 1.08%, 07/07/04	3,395	3,395
Metropolitan Transportation Auth			➤ GO Bonds Fiscal 2002 Series A 1.10%, 07/07/04	24,750	24,750
➤ Dedicated Tax Fund Bonds Series 1998A 1.11%, 07/07/04	9,440	9,440	➤ GO Bonds Fiscal 2002 Series G 1.06%, 07/07/04	16,400	16,400
➤ Dedicated Tax Fund Bonds Series 2002A 1.11%, 07/07/04	5,490	5,490	➤ GO Bonds Fiscal 2003 Series C-2 1.03%, 07/07/04	6,265	6,265
➤ Transportation RB Series 2003B 1.10%, 07/07/04	3,500	3,500	➤ GO Bonds Fiscal 2003 Series C-3 1.02%, 07/07/04	3,300	3,300
			GO Bonds Fiscal 2003 Series G 0.95%, 08/01/04	6,200	6,218
			➤ GO Bonds Fiscal 2004 Series A-3 1.03%, 07/07/04	10,600	10,600
			GO Bonds Fiscal 2004 Series E 1.12%, 08/01/04	35,775	35,801
			➤ GO Bonds, Fiscal 2001 Series B 1.11%, 07/07/04	6,920	6,920
			➤ GO Bonds, Fiscal 2002 Series A-6 1.08%, 07/01/04	14,850	14,850

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
➔■ Special RB (NYSE Project) Fiscal 2004 Series B Bonds 1.08%, 07/07/04	7,000	7,000	New York City Municipal Water Finance Auth		
New York City Health & Hospitals Corp			✚ Commercial Paper Notes Series 5 1.06%, 07/14/04	20,000	20,000
➔■ Health System Bonds 1999 Series A 1.10%, 07/07/04	17,620	17,620	■ Crossover Refunding Bonds 2002 F 1.11%, 07/07/04	7,495	7,495
New York City Housing Development Corp			■ Water & Sewer System RB Fiscal 2001 F-2 1.04%, 07/07/04	10,230	10,230
✚ M/F Mortgage RB (2 Gold Street) 2003 Series A 1.03%, 07/07/04	15,000	15,000	➔■ Water & Sewer System RB Series 1994G 1.03%, 07/01/04	7,200	7,200
✚ M/F Mortgage RB (90 West St) 2004 Series A 1.03%, 07/07/04	37,000	37,000	➔■ Water & Sewer System RB Series 1998B 1.10%, 07/07/04	4,735	4,735
✚ M/F Mortgage RB (Atlantic Court Apartments), 2003 Series A 1.06%, 07/07/04	19,350	19,350	■ Water & Sewer System RB Series 2001D 1.13%, 07/07/04	4,995	4,995
✚ M/F Mortgage RB (Upper East), 2003 Series A 1.06%, 07/07/04	9,000	9,000	➔■ Water & Sewer System RB Series 2002 G 1.11%, 07/07/04	10,000	10,000
✚ M/F Rental Housing RB (100 Jane Street Dev) Series 1998A 1.05%, 07/07/04	6,525	6,525	■ Water & Sewer System RB Series 2003 C-3 1.03%, 07/01/04	11,200	11,200
✚ M/F Rental Housing RB (One Columbus Place) Series 1998A 1.05%, 07/07/04	26,200	26,200	New York City Transitional Finance Auth		
✚ M/F Rental Housing RB (Sierra) Series 2003A 1.05%, 07/07/04	18,000	18,000	■ Future Tax Secured Bonds Fiscal 2004D-1 1.11%, 07/07/04	3,330	3,330
✚ M/F Rental Housing RB (Tribeca Tower) Series 1997A 1.03%, 07/07/04	2,300	2,300	➔■ Future Tax Secured Bonds Series 2000A 1.10%, 07/07/04	15,720	15,720
✚ M/F Rental Housing RB (West End Towers) Series 2004A 1.06%, 07/07/04	20,000	20,000	■ Future Tax Secured Bonds Series 2000C 1.11%, 07/07/04	14,545	14,545
New York City IDA			■ Future Tax Secured Bonds Series 2001B 1.08%, 07/01/04	13,360	13,360
✚ Civic Facility RB (2000 Jewish Board of Family & Childrens Services Project) 1.06%, 07/07/04	15,820	15,820	■ Future Tax Secured Bonds Series 2001C 1.03%, 07/07/04	2,000	2,000
✚ Refunding IDRb (Allway Tools) Series 1997 1.15%, 07/07/04	1,560	1,560	■ Future Tax Secured Refunding Bonds Series 2003A 1.11%, 07/07/04	6,000	6,000
✚ Special Facility RB (Korean Air Lines Co) Series 1997A 1.08%, 07/07/04	12,400	12,400	■ Recovery Bonds Fiscal 2003 Series 2A 1.08%, 07/01/04	2,500	2,500

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
■ Recovery Bonds Fiscal 2003 Series 2D 1.03%, 07/07/04	21,600	21,600	New York State Environmental Facilities Corp.		
■ Recovery Bonds Fiscal 2003 Series 3B 1.12%, 07/01/04	1,000	1,000	■ State Clean Water & Drinking Water Revolving Funds RB Series 2002B 1.10%, 07/07/04	24,225	24,225
New York City Trust for Cultural Resources			■ State Water Pollution Control Revolving Fund RB Series 1994D 1.10%, 07/07/04	17,043	17,043
■ RB Series 2004 Pierpont Morgan Library 1.06%, 07/07/04	13,000	13,000	New York State HFA		
New York State			■ 101 West End Ave Housing RB Series 1998A 1.08%, 07/07/04	17,800	17,800
■ Environmental Quality GO Series 1998G 1.03%, 10/02/04	38,300	38,300	■ 101 West End Ave Housing RB Series 1999A 1.08%, 07/07/04	1,600	1,600
■ GO Bonds Fiscal 2004 Series F 1.15%, 07/07/04	50,000	50,000	■ 150 E44th St Housing RB Series 2000A 1.08%, 07/07/04	11,300	11,300
■ GO Bonds Series 2000A 1.05%, 10/07/04	14,200	14,200	■ 250 W50th St Housing RB Series 1997A 1.03%, 07/07/04	24,000	24,000
New York State Dormitory Auth			■ 345 E94th St Housing RB Series 1999A 1.08%, 07/07/04	7,600	7,600
■ (Mt Sinai School of Medicine) Insured RB Series 1994A 1.13%, 07/07/04	2,900	2,900	■ 345 East 94th St Housing RB Series 1998A 1.08%, 07/07/04	7,165	7,165
■ City University System Consolidated Fifth General Resolution RB Series 2003A 1.15%, 07/07/04	7,295	7,295	■ 350 W43rd St Housing RB Series 2002A 1.05%, 07/07/04	9,000	9,000
■ State University Educational Facilities RB Series 1993A 1.09%, 07/07/04	18,495	18,495	■ 70 Battery Place Housing RB Series 1997A 1.05%, 07/07/04	22,600	22,600
■ State University Educational Facilities RB Series 2000B 1.10%, 07/07/04	12,375	12,375	■ Chelsea Arms Housing RB Series 1998A 1.07%, 07/07/04	18,000	18,000
■ 1.35%, 11/10/04	27,030	27,030	■ E84th St Housing RB Series 1995A 1.03%, 07/07/04	11,300	11,300
New York State Energy Research Dev Auth			■ Helena Housing RB Series 2003A 1.03%, 07/07/04	7,800	7,800
■ Gas Facilities RB (Brooklyn Union Gas Co.) Series 1996 1.11%, 07/07/04	14,125	14,125	■ Housing RB (Avalon Chrystie Place I) Series 2004 A 1.06%, 07/07/04	24,500	24,500
■ Pollution Control Refunding RB (Niagara Mohawk Power Corp) Series 1994A 1.10%, 07/07/04	14,850	14,850			
■ Pollution Control Refunding RB (Orange & Rockland Utilities) Series 1994A 1.04%, 07/07/04	1,000	1,000			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
■ Normandie Court II RB Housing RB Series 1999A 1.05%, 07/07/04	19,600	19,600	■ Commercial Paper Notes Series 2 1.20%, 08/04/04	18,375	18,375
■ Service Contract Refunding RB Series 2003B 1.06%, 07/07/04	10,000	10,000	■ 1.10%, 08/10/04	10,000	10,000
■ Service Contract Refunding RB Series 2003D 1.16%, 07/07/04	6,800	6,800	New York State Thruway Auth ■ General Refunding RB Series E 1.11%, 07/07/04	6,995	6,995
■ Service Contract Refunding RB Series 2003E 1.03%, 07/07/04	7,000	7,000	Oceanside Union Free SD TAN 2004-2005 1.60%, 06/23/05	5,000	5,055
■ Service Contract Refunding RB Series 2003G 1.03%, 07/07/04	10,000	10,000	Port Auth of New York & New Jersey ■ Consolidated Bonds 127th Series 1.11%, 07/07/04	3,000	3,000
■ Tribeca Landing Housing RB Series 1997A 1.07%, 07/07/04	13,000	13,000	■ Consolidated Bonds 135th Series 1.13%, 07/07/04	20,000	20,000
■ Tribeca Park Housing RB Series 1997A 1.03%, 07/07/04	4,500	4,500	■ Special Project Bonds Series 6 JFK International Air Terminal 1.14%, 07/07/04	1,480	1,480
■ Union Square South Housing RB Series 1996A 1.03%, 07/07/04	16,800	16,800	Port Washington Union Free School District ▲ 2004 TAN 1.57%, 06/23/05	12,500	12,640
■ Worth St Housing RB 2001 Series 2001A 1.07%, 07/07/04	10,000	10,000	Queensbury Union Free SD BAN 2004 1.11%, 01/06/05	16,394	16,469
New York State Local Assistance Corp ■ Series 1993-C Refunding Bonds 1.10%, 07/07/04	9,900	9,900	Schenectady IDA ■ IDRB (Fortitech Holding Corp.) Series 1995A 1.18%, 07/07/04	800	800
■ Series 1997B Refunding Bonds 1.07%, 07/07/04	20,965	20,965	Suffolk Cnty Water Auth TAN 2003 Series II 1.07%, 09/08/04	25,000	25,043
New York State Mortgage Agency ■ Homeowner Mortgage RB Series 65 1.13%, 07/07/04	4,640	4,640	Three Village Central SD ▲ 2004 TAN 1.59%, 06/20/05	4,000	4,045
■ Homeowner Mortgage RB Series 77-A 1.20%, 02/03/05	24,795	24,795	Triborough Bridge & Tunnel Auth ■ General Purpose RB Series 2001A 1.09%, 07/07/04	20,000	20,000
■ Homeowner Mortgage RB Series 87 1.13%, 07/07/04	7,135	7,135	■ General Refunding RB Series 2002B 1.13%, 07/07/04	14,000	14,000
■ 1.15%, 07/07/04	4,445	4,445			
■ Mortgage RB 24th Series 1.12%, 07/07/04	610	610			
New York State Power Auth ■ Commercial Paper Notes Series 1 1.10%, 09/13/04	13,000	13,000			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
General Refunding RB Series 2002C			Puerto Rico Public Buildings Auth		
1.07%, 07/07/04	4,600	4,600	Refunding RB Series L		
Special Obligation 1991 Resolution Refunding Bonds, Series 2000A			1.10%, 07/07/04	1,000	1,000
1.03%, 07/07/04	8,275	8,275			30,300
Ulster Cnty					
GO BAN, 2003					
1.15%, 11/19/04	16,034	16,086			
Westchester Cnty IDA					
IDRB (Levister Redevelopment Co Project) Series 2001B					
1.09%, 07/07/04	8,000	8,000			
William Floyd Union Free SD					
TAN 2004-2005					
1.64%, 06/27/05	25,000	25,331			
1.68%, 06/27/05	1,900	1,924			
Yonkers IDA					
Civic Facility RB (Consumers Union Facility) Series 1989					
1.05%, 07/07/04	1,200	1,200			
Civic Facility RB (Consumers Union Facility) Series 1991					
1.05%, 07/07/04	700	700			
Civic Facility RB (Consumers Union) Series 1994					
1.05%, 07/07/04	1,740	1,740			
		1,721,037			
Puerto Rico 1.8%					
Government Development Bank of Puerto Rico					
TECP Series 1997					
1.15%, 09/02/04	8,800	8,800			
1.17%, 09/09/04	10,000	10,000			
Puerto Rico Housing Finance Corp					
Homeownership Mortgage GNMA-guaranteed RB Series 1998A					
1.10%, 04/01/05	9,900	9,900			
Puerto Rico Hwy & Transp Auth					
Highway RB Series Y					
1.07%, 07/07/04	600	600			

Statement of

Assets and Liabilities

As of June 30, 2004; unaudited. All numbers x 1,000 except NAV.

Unless stated, all numbers x 1,000.

Assets

Investments, at value	\$1,751,337
Cash	475
Receivables:	
Fund shares sold	1,190
Interest	5,538
Prepaid expenses	+ 27
Total assets	1,758,567

The amortized cost for the fund's securities was \$1,751,337. During the reporting period, the fund had \$413,840 in transactions with other Schwab Funds.

Liabilities

Payables:	
Fund shares redeemed	2,718
Dividends to shareholders	364
Investments bought	43,140
Investment adviser and administrator fees	10
Transfer agent and shareholder service fees	16
Accrued expenses	+ 80
Total liabilities	46,328

Net Assets

Total assets	1,758,567
Total liabilities	- 46,328
Net assets	\$1,712,239

Net Assets by Source

Capital received from investors	1,712,350
Net realized capital losses	(111)

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Sweep Shares	\$1,033,681		1,033,826		\$1.00
Value Advantage Shares	\$678,558		678,587		\$1.00

Federal Tax Data

Cost basis of portfolio	\$1,751,337
As of December 31, 2003:	
Capital losses utilized	\$89
Unused capital losses:	
Expires 12/31 of:	Loss amount:
2009	\$12

Statement of

Operations

For January 1, 2004 through June 30, 2004; unaudited. All numbers x 1,000.

Investment Income

Interest	\$9,060
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Net Realized Gains and Losses

Net realized losses on investments sold	(99)
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Expenses

Investment adviser and administrator fees	3,222
Transfer agent and shareholder service fees:	
Sweep Shares	2,396
Value Advantage Shares	760
Trustees' fees	15
Custodian and portfolio accounting fees	84
Professional fees	14
Registration fees	20
Shareholder reports	24
Other expenses	+
	11
Total expenses	6,546
Expense reduction	-
	1,318
Net expenses	5,228

Increase in Net Assets from Operations

Total investment income	9,060
Net expenses	-
	5,228
Net investment income	3,832
Net realized losses	+
	(99)
Increase in net assets from operations	\$3,733

Unless stated, all numbers x 1,000.

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets as follows:

Transfer Agent Services:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.25
Value Advantage Shares	0.05

Shareholder Services:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.20
Value Advantage Shares	0.17

These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

Includes \$1,283 from the investment adviser (CSIM) and \$35 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the operating expenses of this fund through April 30, 2005, as follows:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.69
Value Advantage Shares	0.45

This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.
Figures for the current period are unaudited.

Unless stated, all numbers x 1,000.

Operations

	1/1/04-6/30/04	1/1/03-12/31/03
Net investment income	\$3,832	\$8,864
Net realized gains and losses	+ (99)	105
Increase in net assets from operations	3,733	8,969

Distributions Paid

Dividends from net investment income		
Sweep Shares	1,819	4,159
Value Advantage Shares	+ 2,013	4,705
Total dividends from net investment income	3,832	8,864

Transactions in Fund Shares**Shares Sold**

Sweep Shares	2,175,450	3,340,823
Value Advantage Shares	+ 398,465	728,144
Total shares sold	2,573,915	4,068,967

Shares Reinvested

Sweep Shares	1,615	4,096
Value Advantage Shares	+ 1,703	4,416
Total shares reinvested	3,318	8,512

Shares Redeemed

Sweep Shares	(2,181,260)	(3,250,610)
Value Advantage Shares	+ (411,314)	(719,030)
Total shares redeemed	(2,592,574)	(3,969,640)

Net transactions in fund shares

(15,341) 107,839

Net Assets

Beginning of period	1,727,679	1,619,735
Total increase or decrease	+ (15,440)	107,944
End of period	\$1,712,239	\$1,727,679

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents shares sold plus shares reinvested, minus shares redeemed.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Schwab New Jersey Municipal Money Fund™

Financial Statements

Financial Highlights

	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.00 ¹	0.01	0.02	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.00) ¹	(0.01)	(0.02)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.20 ²	0.43	0.84	2.13	3.38	2.58
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.65 ³	0.65	0.66 ⁴	0.65	0.66 ⁵	0.65
Gross operating expenses	0.86 ³	0.86	0.89	0.90	0.93	0.94
Net investment income	0.39 ³	0.43	0.83	2.08	3.35	2.60
Net assets, end of period (\$ x 1,000,000)	563	463	425	382	321	206

* Unaudited.

¹ Per share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratio of net operating expenses would have been 0.65% if certain non-routine expenses (taxes) had not been included.

⁵ The ratio of net operating expenses would have been 0.65% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of June 30, 2004; unaudited

This section shows all the securities in the fund's portfolio and their value, as of the report date.

We use the symbols below to designate certain characteristics:

- ✚ Credit-enhanced security
- ▮ Liquidity-enhanced security
- Variable-rate security
- Tender option bond
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category		Cost (\$x1,000)	Value (\$x1,000)
94.7%	Municipal Securities	532,717	532,717
94.7%	Total Investments	532,717	532,717
5.3%	Other Assets and Liabilities		29,935
100.0%	Total Net Assets		562,652

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Municipal Securities 94.7% of net assets
New Jersey 83.9%**Burlington Cnty**

BAN Series 2004 A		
1.20%, 02/04/05	10,144	10,147

Delaware River Port Auth

RB Series 1999		
✚▮• 1.11%, 07/07/04	17,300	17,300
✚▮• 1.11%, 07/07/04	4,495	4,495

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
East Brunswick		
BAN		
1.10%, 01/08/05	14,500	14,605
Englewood		
▲ BAN		
1.63%, 07/08/05	7,000	7,094
Garden State Preservation Trust		
✚▮• Open Space and Farmland Preservation Bonds Series 2003A		
1.20%, 02/10/05	5,000	5,000
Gloucester Cnty		
BAN Series 2003A		
1.07%, 10/27/04	8,000	8,024
■ Pollution Control Refunding RB (Exxon Mobil) Series 2003		
0.94%, 07/01/04	14,000	14,000
Manchester		
BAN		
1.30%, 09/01/04	8,975	8,989
New Jersey		
GO Bonds		
1.18%, 07/15/04	1,000	1,002
GO Bonds Series D		
1.15%, 02/15/05	5,000	5,138
GO Refunding Bonds Series E		
1.03%, 07/15/04	2,000	2,003
New Jersey Economic Development Auth		
✚▮ Economic Development RB (ENCAP Golf Holdings) Series 2004		
1.08%, 07/07/04	33,955	33,955
✚▮ Economic Development RB (Omni Baking Co) Series 2001		
1.08%, 07/07/04	4,200	4,200
✚▮ Economic Development RB (Stone Brothers Secaucus) Series 2001		
1.12%, 07/07/04	1,760	1,760
✚▮ First Mortgage Refunding RB (Winchester Gardens at Homestead) Series 2004B		
1.06%, 07/07/04	2,400	2,400

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ × 1,000)	Value (\$ × 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ × 1,000)	Value (\$ × 1,000)
➦■IDRB (Tru Urban Renewal Corp.) Series 1984 1.40%, 07/30/04	3,000	3,000	➦■New Jersey Educational Facilities Auth Higher Education Capital Improvement Fund Issue RB Series 2002A 1.11%, 07/07/04	8,610	8,610
➦■Natural Gas Facilities Refunding RB (Nui Corp.) Series 1997A 1.11%, 07/07/04	1,525	1,525	➦■RB Caldwell College Issue Series 2000B 1.11%, 07/07/04	2,200	2,200
➦■RB (Baptist Home Society of New Jersey) Series 2003 1.30%, 07/07/04	3,520	3,520	■RB Princeton University Issue Series 2001B 1.10%, 07/01/04	4,000	4,000
➦■RB (G&W Laboratories) Series 2003 1.19%, 07/07/04	5,960	5,960	➦■New Jersey Health Care Facilities Financing Auth RB (St. Peter's Univ Hospital Obligated Group) RB Series 2000B 1.07%, 07/07/04	2,000	2,000
➦■RB (Geriatric Services Housing Corporation) Series 2001 1.07%, 07/07/04	10,475	10,475	➦■RB Hunterdon Medical Center Issue Series A 1.11%, 07/07/04	3,560	3,560
➦■RB (Hamilton Industrial Development Project) Series 1998 1.16%, 07/07/04	5,950	5,950	➦■RB Meridian Health System Obligated Group Issue Series 2003A 1.06%, 07/07/04	4,400	4,400
➦■RB (Jewish Home at Rockleigh Project) Series 1998A 1.07%, 07/07/04	4,200	4,200	➦■Refunding & RB (St Barnabas Health Care System) Series 1998B 1.11%, 07/07/04	12,930	12,930
➦■RB (Job Haines Home) Series 1998 1.03%, 07/07/04	7,320	7,320	➦■Revenue Bonds Composite Program Series 2001 A-1 1.06%, 07/07/04	5,700	5,700
➦■RB (Mt. Olive Realty) Amended 1995 Series 1.07%, 07/07/04	5,800	5,800	➦■Revenue Bonds Composite Program Series 2003 A-6 1.11%, 07/07/04	3,250	3,250
➦■RB (St. James Preparatory School & St. James Social Service Corp.) Series 1998 1.11%, 07/07/04	5,140	5,140	➦■New Jersey Housing & Mortgage Finance Agency Home Buyer RB Series 2000 CC 1.11%, 07/07/04	3,460	3,460
➦■Refunding RB (Station Plaza Park & Ride Project) Series 2003 1.14%, 07/07/04	3,290	3,290	S/F Housing RB Series 2004F 1.05%, 04/01/05	10,000	10,000
➦■School Facilities Construction Bonds Series 2004G 1.11%, 07/07/04	4,995	4,995	2.00%, 04/01/05	3,350	3,326
➦■Special Facility RB (Port Newark Container Terminal Project) Series 2003 1.12%, 07/07/04	14,300	14,300			
➦■Thermal Energy Facilities RB (Thermal Energy Limited Partnership I Project) Series 1997 1.05%, 07/07/04	8,600	8,600			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
New Jersey Transportation Trust Fund Auth			Rahway Township		
►■• Transportation System RB Series 1998A 1.13%, 07/07/04	11,495	11,495	BAN 2003 1.15%, 12/06/04	8,343	8,382
+►■• Transportation System RB Series 2000B 1.08%, 07/07/04	4,895	4,895	Readington BAN 1.09%, 02/09/05	5,000	5,027
+►■• Transportation System RB Series 2003C 1.11%, 07/07/04	5,495	5,495	Salem Cnty Improvement Authority +■• RB (Friends Home At Woodstown) Series 2004 1.06%, 07/07/04	10,000	10,000
New Jersey Turnpike Auth			Somerset Cnty		
+►■• Turnpike RB Series 1991C 1.10%, 07/07/04	3,595	3,595	GO Open Space/Farmland Preservation Bonds Series 2003B 1.02%, 10/01/04	1,000	1,007
+■• Turnpike RB Series 1991D 1.05%, 07/07/04	11,200	11,200	General Improvement Bonds Series 2003A 1.02%, 10/01/04	1,200	1,206
+►■• Turnpike RB Series 2000A 1.11%, 07/07/04	9,665	9,665	Trenton Parking Auth		
+►■• 1.05%, 08/04/04	11,200	11,200	+►■• Parking RB Series 2000 1.09%, 07/07/04	4,320	4,320
+ 1.15%, 01/01/05	2,750	2,806	Union Cnty Improvement Auth		
North Brunswick Township			+■• Mortgage RB (Cedar Glen Housing Corp) Series A 1.08%, 07/07/04	16,110	16,110
BAN 2003 1.13%, 12/10/04	12,860	12,909	University of Medicine & Dentistry		
Port Auth of New York & New Jersey			+►■• RB Series 2002B 1.08%, 07/07/04	27,450	27,450
+►■• Consolidated Bonds 119th Series Second Installment 1.13%, 07/07/04	370	370	Puerto Rico 10.8%		
+ Consolidated Bonds 122nd Series 1.08%, 07/15/04	1,085	1,087	Government Development Bank of Puerto Rico		
+►■• Consolidated Bonds 127th Series 1.11%, 07/07/04	10,280	10,280	TECP Series 1997 1.17%, 09/09/04	5,000	5,000
►■• Consolidated Bonds 85th Series 1.20%, 04/07/05	6,795	6,795	Puerto Rico		
Consolidated Bonds, 131st Series 1.13%, 12/15/04	4,015	4,031	+►■• Public Improvement & Refunding Bonds Series 2000 1.08%, 07/07/04	5,135	5,135
1.17%, 12/15/04	1,000	1,004	+►■• Public Improvement Refunding Bonds Series 2002A 1.20%, 07/07/04	3,000	3,000
Special Project Bonds Series 6 JFK International Air Terminal					
+►■• 1.11%, 07/07/04	1,650	1,650			
+►■• 1.14%, 07/07/04	800	800			
► TECP Series A 1.02%, 08/10/04	11,450	11,450			

471,852

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+►■• Public Improvement Bonds		
Series 2001A		
1.13%, 07/07/04	12,000	12,000
Puerto Rico Electric Power Auth		
+►■• Power Refunding RB Series KK		
1.08%, 07/07/04	10,420	10,420
Puerto Rico HFC		
+►■• Homeownership Mortgage RB		
Series 2000A		
1.13%, 07/07/04	4,905	4,905
Puerto Rico Hwy & Transp Auth		
+►■• Highway RB Series Y		
1.07%, 07/07/04	1,600	1,600
+►■• Transportation RB Series		
1998A		
1.00%, 07/07/04	4,810	4,810
+►■• Transportation RB Series G &		
Subordinated RB Series 2003		
1.10%, 07/07/04	5,000	5,000
+►■• Transportation RB		
Series J and I		
1.10%, 07/07/04	4,995	4,995
Puerto Rico Public Buildings Auth		
+►■• Government Facilities RB Series B		
1.09%, 07/07/04	4,000	4,000
		60,865

End of investments.

Statement of

Assets and Liabilities

As of June 30, 2004; unaudited. All numbers x 1,000 except NAV.

Unless stated, all numbers x 1,000.

Assets

Investments, at value	\$532,717
Cash	39
Receivables:	
Investments sold	35,179
Interest	1,933
Prepaid expenses	+ 17
Total assets	569,885

The amortized cost for the fund's securities was \$532,717. During the reporting period, the fund had \$385,010 in transactions with other Schwab Funds.

Liabilities

Payables:	
Dividends to shareholders	94
Investments bought	7,094
Investment adviser and administrator fees	3
Transfer agent and shareholder service fees	8
Accrued expenses	+ 34
Total liabilities	7,233

Net Assets

Total assets	569,885
Total liabilities	- 7,233
Net assets	\$562,652

Net Assets by Source

Capital received from investors	562,655
Net investment income not yet distributed	6
Net realized capital losses	(9)

Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$562,652		562,382		\$1.00

Federal Tax Data

Cost basis of portfolio \$532,717

For the year ended December 31, 2003:

Undistributed earnings:

Tax-exempt income	\$2
Long-term capital gains	\$-

Statement of

Operations

For January 1, 2004 through June 30, 2004; unaudited. All numbers x 1,000.

Investment Income

Interest	\$2,470
----------	----------------

Net Realized Gains and Losses

Net realized losses on investments sold	(9)
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Expenses

Investment adviser and administrator fees	898
Transfer agent and shareholder service fees	1,064
Trustees' fees	13
Custodian and portfolio accounting fees	21
Professional fees	12
Registration fees	9
Shareholder reports	8
Other expenses	+
	5
Total expenses	2,030
Expense reduction	-
	494
Net expenses	1,536

Increase in Net Assets from Operations

Total investment income	2,470
Net expenses	-
	1,536
Net investment income	934
Net realized losses	+
	(9)
Increase in net assets from operations	\$925

Unless stated, all numbers x 1,000.

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the operating expenses of this fund through April 30, 2005, to 0.65% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.
Figures for the current period are unaudited.

Operations

	1/1/04-6/30/04	1/1/03-12/31/03
Net investment income	\$934	\$2,016
Net realized gains or losses	+ (9)	15
Increase in net assets from operations	925	2,031

Distributions Paid

Dividends from net investment income	930	2,016
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Transactions in Fund Shares

Shares sold	895,360	1,245,576
Shares reinvested	824	1,988
Shares redeemed	+ (796,647)	(1,209,262)
Net transactions in fund shares	99,537	38,302

Net Assets

Beginning of period	463,120	424,803
Total increase	+ 99,532	38,317
End of period	\$562,652	\$463,120

Unless stated, all numbers x 1,000.

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Schwab Pennsylvania Municipal Money Fund™

Financial Statements

Financial Highlights

	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.00 ¹	0.01	0.02	0.04	0.03
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.00) ¹	(0.01)	(0.02)	(0.04)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.21 ²	0.49	0.87	2.20	3.57	2.71
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.65 ³	0.65	0.65	0.65	0.66 ⁴	0.65
Gross operating expenses	0.87 ³	0.87	0.89	0.92	0.93	0.94
Net investment income	0.42 ³	0.48	0.87	2.14	3.52	2.68
Net assets, end of period (\$ x 1,000,000)	337	328	301	292	225	164

* Unaudited.

¹ Per share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratio of net operating expenses would have been 0.65% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of June 30, 2004; unaudited

This section shows all the securities in the fund's portfolio and their value, as of the report date.

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security
- Tender option bond

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category		Cost (\$x1,000)	Value (\$x1,000)
101.2%	Municipal Securities	340,705	340,705
101.2%	Total Investments	340,705	340,705
(1.2)%	Other Assets and Liabilities		(4,096)
100.0%	Total Net Assets		336,609

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Municipal Securities 101.2% of net assets

Pennsylvania 99.1%**Allegheny Cnty Hospital Development Auth**

✦■ RB Series 2003 (UPMC Senior Communities)		
1.08%, 07/07/04	10,000	10,000

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Allegheny Cnty IDB

✦■ Pollution Control Refunding RB (Duquesne Light Co) Series 1999B		
1.12%, 07/07/04	14,495	14,495

Allegheny Cnty Port Auth

✦ Grant Anticipation Notes Series 2004		
1.63%, 06/30/05	5,100	5,168

Allegheny Cnty Sanitary Auth

✦■ Sewer RB Series 1997		
1.10%, 07/07/04	4,995	4,995

Berks Cnty

✦■ RB (Beacon Container Project) Series 1998A		
1.24%, 07/07/04	1,090	1,090

Blair County IDA

✦■ First Mortgage RB (Village at Penn State Project) Series 2002C		
1.01%, 07/07/04	125	125

Cambria Cnty IDA

✦■ Resource Recovery RB (Cambria Cogen Co) Series 1998A-2		
1.34%, 07/07/04	17,100	17,100

Clarion Cnty IDA

✦■ Energy Development RB (Piney Creek) 1990 Series		
1.10%, 07/07/04	14,100	14,100

Crawford Central School District

✦ GO Bonds Series 1995		
1.44%, 02/15/05	1,765	1,826

Delaware Cnty IDA

✦■ Hospital RB (Crozer-Chester Medical Center Obligated Group) Series 2002		
1.09%, 07/07/04	300	300

✦■ RB (YMCA of Philadelphia Project) Series 1999		
1.16%, 07/07/04	2,335	2,335

Delaware Valley Regional**Finance Auth**

Local Government RB Series 1998A		
✦■ 1.13%, 07/07/04	1,600	1,600
✦■ 1.14%, 07/07/04	4,555	4,555

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Erie SD			GO Bonds First Series 2003		
GO Bonds Series 2001A			1.10%, 07/07/04	9,770	9,770
1.22%, 11/03/04	16,800	16,800	GO Bonds Refunding Series		
Harrisburg Auth			1996		
Water Refunding RB Series			1.03%, 11/15/04	600	610
2003A			1.10%, 11/15/04	1,000	1,015
1.13%, 07/07/04	6,250	6,250	Pennsylvania Convention		
Lancaster Cnty Hospital Auth			Center Auth		
Health Center RB (Brethren			RB Series 1989A		
Village) Series 2000			1.10%, 07/07/04	2,745	2,745
1.13%, 07/07/04	5,200	5,200	Pennsylvania Economic		
Luzerne Cnty Industrial Dev			Development Financing Auth		
Auth			Exempt Facilities RB (Merck &		
RB (Methodist Homes) Series			Co) Series 2000		
2003			1.15%, 07/07/04	5,000	5,000
1.10%, 07/07/04	5,000	5,000	Exempt Facilities RB (Merck &		
Montgomery Cnty IDA			Co) Series 2001		
Environmental Facilities RB			1.15%, 07/07/04	14,000	14,000
(Ionza Inc. Project) Series			Exempt Facilities RB (Reliant		
2000			Energy Seward) Series 2001A		
1.17%, 07/07/04	7,000	7,000	1.13%, 07/07/04	10,100	10,100
Pollution Control Refunding			Exempt Facilities RB (Reliant		
RB (Exelon Generation Co)			Energy Seward) Series 2002B		
Series 2002A			1.10%, 07/07/04	6,000	6,000
1.05%, 08/09/04	2,000	2,000	RB (Westrum Hanover) Series		
1.07%, 08/09/04	5,000	5,000	2004		
Pollution Control Refunding RB			1.08%, 07/07/04	5,100	5,100
(Peco Energy Co) Series			Pennsylvania HFA		
1994A			Residential Development		
1.10%, 07/07/04	7,560	7,560	Refunding RB Series 2002A		
Northampton Cnty			1.16%, 07/07/04	6,000	6,000
County Agreement RB Series			S/F Mortgage RB Drawdown		
2001			Series 2003		
1.30%, 10/06/04	3,000	3,000	1.15%, 07/07/04	5,110	5,110
RB (Binney & Smith) Series			S/F Mortgage RB Series		
1997A			1999-66A		
1.14%, 07/07/04	3,250	3,250	1.30%, 12/16/04	6,945	6,945
Norwin SD			S/F Mortgage RB Series		
GO Bonds Series 2001A			1999A		
1.35%, 11/10/04	8,710	8,710	1.08%, 08/05/04	10,785	10,785
Pennsylvania			S/F Mortgage RB Series		
GO Bonds 3rd Series 1994			2001-72A		
1.07%, 11/15/04	250	255	1.14%, 10/01/04	1,685	1,695
GO Bonds First Series 1995			S/F Mortgage RB Series		
1.09%, 07/07/04	11,870	11,870	2002 73A		
			1.18%, 07/07/04	8,980	8,980

Issuer Rate, Maturity Date	Face Amount (\$ × 1,000)	Value (\$ × 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ × 1,000)	Value (\$ × 1,000)
■ S/F Mortgage RB Series 2002-74B 1.13%, 07/07/04	3,600	3,600	Puerto Rico 2.1% Government Development Bank of Puerto Rico TECP Series 1997 1.17%, 09/09/04	5,000	5,000
■ S/F RB Series 1998-64 1.09%, 11/04/04	15,000	15,000	Puerto Rico Hwy & Transp Auth Grant Anticipation RB 1.10%, 07/07/04	2,000	2,000
Pennsylvania Higher Education Assistance Agency					7,000
➤■ RB (Thomas Jefferson Univ) Series 2001 2.20%, 09/30/04	1,890	1,895			
➤■ Student Loan RB Series 2000A 1.13%, 07/07/04	5,300	5,300			
➤■ Student Loan RB Series 2001A 1.13%, 07/07/04	4,600	4,600	End of investments.		
Univ of Pennsylvania Health Services RB Series 1996A 1.24%, 01/01/05	3,500	3,583			
Pennsylvania Turnpike Commission					
➤■ Turnpike RB Series 2004A 1.10%, 07/07/04	12,495	12,495			
Philadelphia Gas Works RB 1st Series A Bonds 1.70%, 07/01/05	5,000	5,175			
Philadelphia IDA					
➤■ Airport RB Series 1998A 1.05%, 08/05/04	5,000	5,000			
Philadelphia Municipal Auth					
➤ Lease Refunding RB 2003 Series A 1.20%, 05/15/05	2,000	2,048			
Philadelphia SD					
➤ GO Refunding Bonds Series 1993A 1.09%, 07/01/04	3,000	3,000			
Scranton Redevelopment Authority					
➤■ Guaranteed Lease RB Series 2004 1.13%, 07/01/04	9,295	9,295			
Temple University					
University Funding Obligations Series 2004 1.27%, 05/02/05	9,200	9,275			
		333,705			

Statement of

Assets and Liabilities

As of June 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$340,705
Cash	15
Interest receivable	1,127
Prepaid expenses	+ 33
Total assets	341,880

Liabilities

Payables:	
Dividends to shareholders	72
Investments bought	5,168
Investment adviser and administrator fees	2
Transfer agent and shareholder service fees	4
Accrued expenses	+ 25
Total liabilities	5,271

Net Assets

Total assets	341,880
Total liabilities	– 5,271
Net assets	\$336,609

Net Assets by Source

Capital received from investors	336,617
Net investment income not yet distributed	6
Net realized capital losses	(14)

Net Asset Value (NAV)

Net Assets	÷	Shares Outstanding	=	NAV
\$336,609		336,604		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$340,705. During the reporting period, the fund had \$467,095 in transactions with other Schwab Funds.

Federal Tax Data

Cost basis of portfolio \$340,705

As of December 31, 2003:

Undistributed earnings:

Tax-exempt income	\$3
Long-term capital gains	–

Statement of

Operations

For January 1, 2004 through June 30, 2004; unaudited. All numbers x 1,000.

Investment Income

Interest	\$1,843
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Net Realized Gains and Losses

Net realized losses on investments sold	(14)
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Expenses

Investment adviser and administrator fees	652
Transfer agent and shareholder service fees	772
Trustees' fees	13
Custodian and portfolio accounting fees	16
Professional fees	12
Registration fees	9
Shareholder reports	5
Other expenses	+
	5
Total expenses	1,484
Expense reduction	-
	369
Net expenses	1,115

Increase in Net Assets from Operations

Total investment income	1,843
Net expenses	-
	1,115
Net investment income	728
Net realized losses	+
	(14)
Increase in net assets from operations	\$714

Unless stated, all numbers x 1,000.

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the operating expenses of this fund through April 30, 2005, to 0.65% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.
Figures for the current period are unaudited.

Operations

	1/1/04-6/30/04	1/1/03-12/31/03
Net investment income	\$728	\$1,557
Net realized gains and losses	+ (14)	42
Increase in net assets from operations	714	1,599

Distributions Paid

Dividends from net investment income	725	1,569
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Transactions in Fund Shares

Shares sold	734,250	1,014,686
Shares reinvested	641	1,546
Shares redeemed	+ (725,983)	(989,751)
Net transactions in fund shares	8,908	26,481

Net Assets

Beginning of period	327,712	301,201
Total increase	+ 8,897	26,511
End of period	\$336,609	\$327,712

Unless stated, all numbers x 1,000.

For the prior year, the fund elected not to distribute realized capital gains and accordingly paid federal and state taxes on such gains in the amount of \$12.

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Schwab Florida Municipal Money Fund™

Financial Statements

Financial Highlights

	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.00 ¹	0.01	0.02	0.04	0.03
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.00) ¹	(0.01)	(0.02)	(0.04)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.20 ²	0.46	0.96	2.32	3.62	2.78
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.66 ³	0.64	0.59	0.59	0.60 ⁴	0.59
Gross operating expenses	0.84 ³	0.85	0.87	0.87	0.89	0.92
Net investment income	0.40 ³	0.47	0.95	2.30	3.56	2.75
Net assets, end of period (\$ x 1,000,000)	1,124	1,804	1,785	1,518	1,435	1,215

* Unaudited.

¹ Per share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratio of net operating expenses would have been 0.59% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of June 30, 2004; unaudited

This section shows all the securities in the fund's portfolio and their value, as of the report date.

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security
- Tender option bond
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category		Cost (\$x1,000)	Value (\$x1,000)
104.0%	Municipal Securities	1,168,301	1,168,301
104.0%	Total Investments	1,168,301	1,168,301
(4.0)%	Other Assets and Liabilities		(44,432)
100.0%	Total Net Assets		1,123,869

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Municipal Securities 104.0% of net assets
Alaska 0.0%**Valdez**

■ Marine Terminal Refunding RB (Exxon Pipeline Co) Series 1993A 0.98%, 07/01/04	500	500
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Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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California 1.2%**Access Loans for Learning
Student Loan Corp**

✦■ Student Loan Program RB Senior Series II-A-7 1.80%, 06/01/05	13,400	13,400
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Colorado 1.1%**Colorado**

▲ 2004 TRAN 1.58%, 06/27/05	7,000	7,097
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Colorado Dept of Transportation

✦■ Transportation Refunding RAN Series 2004B 1.55%, 04/07/05	4,750	4,750
		11,847

Florida 86.5%**Alachua Cnty Health Facilities
Auth**

✦■ Health Facilities RB (Shands Hospital At the University of Florida) Series 1992R 1.12%, 07/07/04	25,490	25,490
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Alachua Cnty School Board

✦■ COP Series 2004 1.11%, 07/07/04	9,045	9,045
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Brevard Cnty

✦ Limited Ad Valorem Tax Refunding Bonds Series 1992 1.14%, 03/01/05	1,000	1,031
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Brevard Cnty Health Auth

✦■ RB (Wuesthoff Health Systems) Series 2004 1.05%, 07/07/04	5,000	5,000
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Broward Cnty

✦ Passenger Facility Charge/Airport System Convertible Lien RB 1998H-1 1.20%, 10/01/04	3,280	3,307
✦■ Subordinate Port Facilities Refunding RB (Port Everglades) Series 1998 1.15%, 07/07/04	4,140	4,140

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Broward Cnty HFA			Davie		
➤■ M/F Housing RB (Southern Pointe) Series 1997 1.08%, 07/07/04	7,750	7,750	➤■ RB (United Jewish Community of Broward County) Series 2003 1.08%, 07/07/04	6,000	6,000
➤■ M/F Housing Refunding RB (Fisherman's Landing) 1999 Series 1.06%, 07/07/04	1,070	1,070	Escambia HFA		
➤■ M/F Housing Refunding RB (Reflections Apartments) Series 1999 1.06%, 07/07/04	10,000	10,000	➤■ S/F RB Series 1997A 1.23%, 07/07/04	2,845	2,845
➤■ S/F Mortgage Revenue Bonds, Series 1999B 1.17%, 07/07/04	2,220	2,220	S/F RB Series 2001A		
Cape Coral			➤■ 1.17%, 07/07/04	2,565	2,565
➤ TECP Notes 1.08%, 07/29/04	5,100	5,100	➤■ 1.20%, 07/07/04	1,965	1,965
Charlotte Cnty			■ S/F RB Series 2002A-1 1.23%, 03/31/05	3,340	3,340
➤■ Refunding RB Series 2003A 1.08%, 07/07/04	1,000	1,000	Florida		
➤■ Refunding RB, Series 2003B 1.08%, 07/07/04	3,300	3,300	Department of Transportation Turnpike RB Series 2000B 0.95%, 07/01/04	9,490	9,490
Clay Cnty Utility Auth.			➤■ Dept of Environmental Protection Preservation 2000 RB Series 1997B 1.13%, 07/07/04	23,035	23,035
➤■ Utilities System RB Series 2003A 1.08%, 07/07/04	3,240	3,240	➤ Dept of Environmental Protection Preservation 2000 RB Series 1998-B 0.97%, 07/01/04	1,560	1,560
Collier Cnty			Florida Dev Finance Corp.		
➤ Capital Improvement and Refunding RB Series 2003 1.05%, 10/01/04	1,325	1,328	➤■ IDRB 1999 Series A1 (Vutec Corp) 1.21%, 07/07/04	1,680	1,680
Dade Cnty			➤■ IDRB 1999 Series A2 (Schmitt Family Partnership) 1.21%, 07/07/04	2,000	2,000
➤ Aviation Refunding RB Series 1997 1.11%, 10/01/04	5,000	5,058	➤■ IDRB 1999 Series A3 (Sunshine State Christian Homes) 1.13%, 07/07/04	1,220	1,220
➤■ Water and Sewer System RB Series 1994 1.05%, 07/07/04	33,200	33,200	➤■ IDRB 1999 Series A4 (Central Farms) 1.21%, 07/07/04	950	950
Dade Cnty IDA			➤■ IDRB Enterprise Bond Program (Pioneer-Ram) Series 1998 A3 1.21%, 07/07/04	980	980
➤■ IDRB (Michael-Ann Russell Jewish Community Center) Series 1997 1.08%, 07/07/04	4,585	4,585	Florida HFA		
➤■ IDRB (South Florida Stadium Corp) Series 1985C 1.04%, 07/07/04	1,050	1,050	➤■ Homeowner Mortgage RB 2000 Series 4 1.20%, 07/07/04	3,950	3,950
			➤■ Housing RB (Ashley Lake Park II) Series 1989J 1.06%, 07/07/04	6,005	6,005

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
■ Housing RB Series 1996P (Tiffany Club Apts) 1.10%, 07/07/04 ■ Housing RB Series 1996U (Heron Park) 1.06%, 07/07/04 ■ Housing Refunding RB 1998 Series M (Ashley Lake Apts) 1.12%, 07/07/04 ■ M/F Guaranteed Mortgage RB (Forest Place Apts) 1983 Series J 1.00%, 07/07/04 ■ M/F Housing RB 1985 Series XX (Cameron Cove Apts) 1.10%, 07/07/04 ■ M/F Mortgage RB 2003 Series O (Wellesley Apts) 1.11%, 07/07/04 ■ M/F Mortgage RB 2003 Series P (Wexford Apts) 1.11%, 07/07/04 ■ M/F Mortgage RB 2004 Series G-1 (Arlington Apts) 1.11%, 07/07/04 ■ M/F Mortgage Refunding RB 2002 Series J-1 (Victoria Park Apts) 1.08%, 07/07/04 ■ RB 1999 Series I-1 (Heritage Pointe Apts) 1.10%, 07/07/04 Florida Housing Finance Corp. ■ Housing Refunding RB (Vinings at Hamptons) Series 2001D 1.14%, 07/07/04 Florida Local Government Finance Commission Pooled TECP 1998 Series B + 1.09%, 10/14/04 + 1.10%, 10/14/04 + 1.12%, 10/14/04 Pooled TECP Series 1994A + 1.04%, 09/07/04 + 1.00%, 09/10/04 + 1.15%, 10/08/04 + 1.04%, 10/14/04	 1,330 3,735 14,760 3,270 5,000 7,940 535 11,340 1,470 4,200 10,800 2,989 5,000 1,612 12,925 2,420 26,905 2,500	 1,330 3,735 14,760 3,270 5,000 7,940 535 11,340 1,470 4,200 10,800 2,989 5,000 1,612 12,925 2,420 26,905 2,500	Florida Ports Financing Comm + State Transportation Trust Fund RB Series 1996 1.59%, 06/01/05 Florida State Board of Education ■ Public Education Capital Outlay Bonds 1998 Series A 1.08%, 07/07/04 ■ Public Education Capital Outlay Bonds 1998 Series E 1.14%, 07/07/04 ■ Public Education Capital Outlay Bonds 1999 Series C 1.12%, 07/07/04 ■ Public Education Capital Outlay Bonds 2001 Series I 1.14%, 07/07/04 ■ Public Education Capital Outlay Refunding Bonds, 2001 Series B 1.14%, 07/07/04 Fort Pierce Utilities Auth ■ Utilities Refunding RB Series 2003 1.14%, 07/07/04 Gainesville ■ IDRB (Exactech) Series 1997 1.16%, 07/07/04 ■ IDRB (Lifesouth Community Blood Centers) Series 1999 1.08%, 07/07/04 Greater Orlando Aviation Auth ■ Airport Facilities RB Series 2002E 1.06%, 07/07/04 Airport Facilities Subordinated TECP Series B + 1.20%, 07/01/04 + 1.10%, 08/11/04 ■ Airport Facility RB (Flightsafety International) Series 2003A 1.16%, 07/07/04 Gulf Breeze ■ Local Government Loan Program RB Series 1985B 1.08%, 07/07/04	 4,575 11,000 12,280 17,870 4,715 14,100 6,325 2,700 5,665 11,700 16,450 12,650 8,900 3,290	 4,757 11,000 12,280 17,870 4,715 14,100 6,325 2,700 5,665 11,700 16,450 12,650 8,900 3,290

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Local Government Loan Program			Jacksonville Electric Auth		
RB Series 1985C			■ Electric System RB, Series		
1.08%, 07/07/04	2,070	2,070	Three 2000A		
Local Government Loan Program			1.12%, 07/07/04	9,935	9,935
RB Series 1985E			■ Water and Sewer System RB		
1.08%, 07/07/04	2,110	2,110	1997 Series B		
Hillsborough Cnty			1.09%, 10/01/04	2,025	2,047
■ Capital Improvement Program			Jacksonville Port Auth		
TECP Series A			■ 1996 Port Facility RB		
1.15%, 09/09/04	41,120	41,120	1.01%, 07/07/04	10,100	10,100
■ Capital Improvement Program			Lake Shore Hospital Auth		
TECP Series B			■ Health Facility RB (Lake Shore		
1.02%, 07/20/04	2,700	2,700	Hospital) Series 1991		
1.02%, 07/21/04	7,700	7,700	1.08%, 07/07/04	3,100	3,100
Hillsborough Cnty Aviation Auth			Lakeland		
■ Tampa International Airport RB			■ Educational Facilities RB		
2003 Series A			(Florida Southern College)		
1.18%, 07/07/04	5,495	5,495	Series 1999		
Hillsborough Cnty IDA			1.08%, 07/07/04	17,100	17,100
■ Educational Facilities RB			Lee Cnty		
(Berkeley Preparatory School)			■ Airport RB Series 2000A		
Series 1999			1.18%, 07/07/04	4,958	4,958
1.08%, 07/07/04	4,670	4,670	■ Educational Facilities RB		
■ RB (Independent Day School)			(Canterbury School) Series		
Series 2000			1999		
1.13%, 07/07/04	1,900	1,900	1.08%, 07/07/04	6,000	6,000
■ RB (Tampa Metropolitan Area			Lee Cnty HFA		
YMCA) Series 2000			■ M/F Housing RB (Crossings At		
1.13%, 07/07/04	7,600	7,600	Cape Coral Apts) Series		
Jacksonville			1999A		
■ Refunding IDRB (Pavillion			1.12%, 07/07/04	6,160	6,160
Associates) Series 1996			■ M/F Housing RB Series 2002A		
1.06%, 07/07/04	4,500	4,500	(University Club Apts)		
Jacksonville Economic Dev			1.13%, 07/07/04	1,000	1,000
Comm			Lee Cnty IDA		
■ Educational Facilities RB			■ Healthcare Facilities RB		
(Episcopal High School)			(Cypress Cove At Healthpark)		
Series 2002			Series 2002B		
1.05%, 07/07/04	200	200	1.10%, 07/07/04	2,850	2,850
■ RB (Bolles School) Series			Leon Cnty SD		
1999A			■ Sales Tax RB Series 2003		
1.09%, 07/07/04	3,145	3,145	1.50%, 07/01/04	5,590	5,590
■ Refunding RB (YMCA of			Manatee Cnty		
Florida's First Coast) Series			■ Public Utilities Refunding and		
2003			Improvement RB Series 2003		
1.08%, 07/07/04	5,000	5,000	1.09%, 10/01/04	1,430	1,433

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Manatee Cnty HFA			Miami-Dade Cnty IDA		
+■ M/F Housing RB (Centre Court Apartments) Series 2000 1.11%, 07/07/04	3,760	3,760	+■ IDRB (Airbus Service Co) Series 1998A 1.22%, 07/07/04	7,495	7,495
+■ M/F Housing RB (La Mirada Gardens) Series 2002A 1.15%, 07/07/04	4,000	4,000	+■ IDRB (Airis Miami LLC) Series 1999A 1.10%, 07/07/04	10,500	10,500
+■ M/F Housing RB (Sabal Palm Harbor Apts) Series 2002B 1.11%, 07/07/04	3,820	3,820	+■ IDRB (Fine Art Lamps) Series 1998 1.16%, 07/07/04	1,700	1,700
+■ M/F Mortgage Refunding RB (Hampton Court) Series 1989A 1.09%, 07/07/04	3,500	3,500	+■ IDRB (Tarmac America) Series 2004 1.15%, 07/07/04	3,200	3,200
+■ M/F Housing RB Series 2000A (Sabal Palm Harbor Apts) 1.13%, 07/07/04	3,070	3,070	+■ IDRB (Arctic Partners) Series 1999 1.21%, 07/07/04	2,280	2,280
Marion Cnty IDA			+■ RB (Belen Jesuit Preparatory School) Series 1999 1.08%, 07/07/04	6,960	6,960
+■ M/F Housing Refunding RB (Chambrel At Pinecastle) Series 2002 1.08%, 07/07/04	7,741	7,741	+■ RB (Gulliver Schools) Series 2000 1.13%, 07/07/04	3,900	3,900
Miami			Ocean Highway & Port Auth		
+ GO Refunding Bonds, Series 2003 0.83%, 07/01/04	1,760	1,760	+■ RB Series 1990 1.10%, 07/07/04	10,200	10,200
Miami Health Facilities Auth.			Okeechobee Cnty		
+■ Health Facilities RB (Miami Jewish Home and Hospital For the Aged) Series 1996 1.08%, 07/07/04	7,700	7,700	+■ Exempt Facility RB (Okeechobee Landfill) Series 1999 1.17%, 07/07/04	8,000	8,000
Miami-Dade Cnty			Orange Cnty		
Aviation TECP Series A Miami International Airport			+ Sales Tax RB Series 2002A 1.14%, 01/01/05	4,100	4,138
+ 1.12%, 07/07/04	4,500	4,500	+ Solid Waste Facility Refunding RB Series 2003 1.10%, 10/01/04	2,745	2,751
+ 1.10%, 07/08/04	1,500	1,500	Orange Cnty Health Facilities Auth		
+ 1.10%, 07/12/04	6,750	6,750	+■ RB (Adventist Health System/Sunbelt) Series 1992 1.08%, 07/07/04	3,200	3,200
Miami-Dade Cnty Expressway Auth			Refunding Program RB (Pooled Hospital Loan) Series 1985		
+ Toll System TECP Notes 1.11%, 08/02/04	8,000	8,000	+ 1.08%, 07/06/04	19,900	19,900
Miami-Dade HFA			+ 0.98%, 07/22/04	5,400	5,400
+■ M/F Mortgage RB Series 2003-3 (22nd Ave, 183rd St and 187th St Apts) 1.10%, 07/07/04	9,250	9,250	+ 1.15%, 09/23/04	6,400	6,400

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Orange Cnty HFA			RB (Benjamin Private School)		
➤ M/F Guaranteed Mortgage Refunding RB (Sundown Associates II) Series 1989A 1.17%, 07/07/04	4,600	4,600	Series 2003 1.08%, 07/07/04	4,500	4,500
➤ M/F Housing RB (Glenn On Millenia Boulevard) 2001 Series C 1.06%, 07/07/04	3,355	3,355	➤ RB (Norton Gallery & School of Art) Series 1995 1.05%, 07/07/04	2,500	2,500
➤ M/F Housing RB (Windsor Pines) 2000 Series E 1.11%, 07/07/04	3,200	3,200	➤ RB (Raymond F. Kravis Center for the Performing Arts) Series 2002 1.03%, 07/07/04	100	100
➤ M/F Housing Refunding RB (Smokewood/Sun Key Apts) 1992 Series A 1.06%, 07/07/04	6,950	6,950	➤ RB (Zoological Society of the Palm Beaches) Series 2001 1.13%, 07/07/04	5,500	5,500
Orange Cnty IDA			➤ Student Housing RB Series 2002 1.12%, 07/07/04	2,900	2,900
➤ IDRB (Central Florida Kidney Centers) Series 2000 1.08%, 07/07/04	5,000	5,000	Palm Beach Cnty Educational Facilities Auth		
➤ IDRB (Central Florida YMCA) Series 2002A 1.13%, 07/07/04	4,400	4,400	➤ Educational Facilities RB (Lynn University) Series 2001 1.08%, 07/07/04	3,490	3,490
➤ IDRB (Goodwill Industries of Central Florida) Series 1999 1.08%, 07/07/04	6,000	6,000	Palm Beach Cnty Health Facilities Auth		
Orange Cnty SD			➤ Refunding Program RB (Pooled Hospital Loan) Series 1985 1.10%, 07/08/04	7,300	7,300
TAN Series 2003 1.07%, 09/16/04	30,000	30,058	Palm Beach Cnty HFA		
Orlando			➤ M/F Housing RB Series 1999A (Azalea Place Apts) Series 1999A 1.12%, 07/07/04	3,000	3,000
➤ Parking Facilities Refunding RB Series 2004 1.00%, 10/01/04	1,045	1,048	➤ M/F Housing Refunding RB (Spinnaker Landing Apts) Series 1998 1.13%, 07/07/04	2,845	2,845
Orlando Utilities Commission			Pasco Cnty SD		
➤ Water & Electric RB, Series 2002B 1.08%, 07/07/04	2,500	2,500	➤ COP Series 1996 1.08%, 07/07/04	27,100	27,100
Palm Beach Cnty			Pinellas Cnty HFA		
➤ Airport RB (Galaxy Aviation) Series 2000A 1.16%, 07/07/04	6,000	6,000	➤ S/F Housing RB 1999 Series B-1 1.17%, 07/07/04	2,640	2,640
➤ IDBR (South Florida Blood Banks) Series 2002 1.05%, 07/07/04	8,940	8,940	Pinellas Cnty IDA		
➤ IDRB (Palm Beach Day School) Series 1999 1.08%, 07/07/04	7,000	7,000	➤ IDRB (H & S Swansons Tool Co) Series 2001 1.16%, 07/07/04	3,565	3,565

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ ■ IDRB (Restorative Care of America) Series 2001 1.23%, 07/07/04	1,690	1,690	Tampa		
Polk Cnty IDA			+ ■ Educational Facilities RB (Pepin Academy of Tampa) Series 2002 1.13%, 07/07/04	3,990	3,990
+ ■ IDRB (Juice Bowl Products) Series 2000 1.16%, 07/07/04	1,860	1,860	+ ■ Health Care Facilities RB (Lifelink Foundation) Series 1997 1.08%, 07/07/04	400	400
+ ■ IDRB (Pavermodule) Series 1998 1.16%, 07/07/04	3,010	3,010	+ ■ Occupational License Tax Refunding Bonds Series 2002C 1.02%, 07/07/04	500	500
Sarasota Cnty			Tampa Bay Water Auth		
+ ■ RB (Sarasota Family YMCA) Series 1999 1.09%, 07/07/04	2,470	2,470	+ ■ Utility System Refunding & Improvement RB Series 2001A 1.16%, 07/07/04	5,200	5,200
Seminole Cnty IDA			Volusia Cnty Educational Facilities Auth		
+ ■ IDRB (Amrhein Family Limited Partnership) Series 2001 1.13%, 07/07/04	4,420	4,420	+ ■ Educational Facilities RB (Bethune-Cookman College Project) Series 2001 1.05%, 07/07/04	1,450	1,450
Southeast Volusia Hospital District			Volusia Cnty Health Facilities Auth		
+ ■ RB (Bert Fish Medical Center) Series 1995 1.16%, 07/07/04	2,800	2,800	+ ■ Hospital RB (Southwest Volusia Healthcare Corp) Series 1994A 1.09%, 07/07/04	8,590	8,590
St Petersburg			Volusia Cnty School Board		
+ ■ Capital Improvement RB (Airport & Golf Course) Series 1997B 1.08%, 07/07/04	2,245	2,245	+ Sales Tax RB Series 2004 1.12%, 10/01/04	1,395	1,398
+ ■ Capital Improvement RB (Airport) Series 1997C 1.16%, 07/07/04	355	355	West Orange Healthcare District		
Sumter Cnty IDA			+ ■ RB Series 1999B 1.08%, 07/07/04	2,900	2,900
+ ■ IDRB (Robbins Mfg Co) Series 1997 1.22%, 07/07/04	1,400	1,400			971,818
Sunshine State Govt Finance Comm			Hawaii 0.6%		
+ ■ TECP Series 1998A 1.12%, 07/12/04	4,539	4,539	Hawaii		
+ ■ TECP Series C 1.13%, 07/06/04	1,330	1,330	+ Airports System Refunding RB Series 2001 1.68%, 07/01/05	6,000	6,226
Tallahassee-Leon Cnty Civic Center Auth					
+ ■ Capital Improvement RB Series 1998A 1.08%, 07/07/04	1,290	1,290			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Illinois 0.8%			Wayne Cnty		
Chicago			+■ Airport RB (Detroit Metropolitan Wayne Cnty Airport) Series 2002A 1.10%, 07/07/04		
+■ O'Hare International Airport General Airport Third Lien RB Series 2003 B-2 1.35%, 01/06/05	8,595	8,595	450	450	
					10,311
Indiana 0.4%			New Jersey 1.1%		
Indiana HFA			Readington		
■ S/F Mortgage RB Series 2002B 1.17%, 07/07/04	4,970	4,970	BAN 1.09%, 02/09/05	11,850	11,915
Kentucky 1.1%			Oregon 1.4%		
Kentucky Housing Corp.			Portland		
■ Housing RB Series 1998B 1.05%, 07/29/04	11,995	11,995	▲ TAN 2004 1.60%, 06/29/05	15,960	16,171
Massachusetts 4.5%			Pennsylvania 0.5%		
Duxbury			Allegheny Cnty Port Auth		
BAN 1.12%, 01/14/05	10,000	10,047	+ Grant Anticipation Notes Series 2004 1.63%, 06/30/05	5,000	5,067
Lawrence			Delaware Valley Regional		
School BAN Series 2003 1.17%, 12/23/04	15,000	15,059	Finance Auth		
Milton			+■ Local Government RB Series 1998A 1.13%, 07/07/04	870	870
BAN 2003 0.97%, 08/06/04	15,000	15,011			5,937
Ralph C. Mahar Regional SD			South Carolina 0.4%		
▲ BAN 1.69%, 07/14/05	9,700	9,825	South Carolina Assoc of		
Woburn			Governmental Organizations		
BAN 2003 0.95%, 07/16/04	1,000	1,000	COP Series 2004 1.53%, 04/15/05	5,000	5,048
		50,942	Texas 2.2%		
Michigan 0.9%			Dallas Fort Worth International		
Michigan			Airport		
GO Notes Series 2004A 1.04%, 09/30/04	4,000	4,009	+■ Joint Revenue Improvement & Refunding Bonds Series 2001A 1.35%, 01/06/05	7,495	7,495
Michigan Municipal Bond Auth			+■ Joint RB Series 2003A 1.18%, 07/07/04	3,000	3,000
RAN Series 2003 B-1 1.13%, 08/20/04	5,845	5,852	Grand Prairie Sports Facilities		
			Dev Corp.		
			+■ Sales Tax Refunding RB Series 2003-B 1.23%, 09/15/04	10,040	10,040

Portfolio Holdings continued

Issuer	Face Amount	Value
Rate, Maturity Date	(\$ x 1,000)	(\$ x 1,000)

Texas

■ Veterans' Housing Assistance Program Fund II Series 2002 A-2 Bonds 1.07%, 07/07/04	4,000	4,000
		24,535

Washington 1.3%

Clark Cnty Public Utility Dist #1

+ Electric System Refunding & RB Series 2002 1.15%, 01/01/05	5,000	5,096
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Energy Northwest

+ ■ Project No. 1 Refunding Electric RB Series 2002A 1.12%, 07/07/04	8,995	8,995
		14,091

End of investments.

Statement of

Assets and Liabilities

As of June 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$1,168,301
Cash	51
Interest receivable	3,707
Prepaid expenses	+ 54
Total assets	1,172,113

Liabilities

Payables:	
Dividends to shareholders	210
Investments bought	47,969
Investment adviser and administrator fees	6
Transfer agent and shareholder service fees	14
Accrued expenses	+ 45
Total liabilities	48,244

Net Assets

Total assets	1,172,113
Total liabilities	- 48,244
Net assets	\$1,123,869

Net Assets by Source

Capital received from investors	1,123,802
Net investment income not yet distributed	12
Net realized capital gains	55

Net Asset Value (NAV)

Net Assets	÷	Shares Outstanding	=	NAV
\$1,123,869		1,123,714		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$1,168,301. During the reporting period, the fund had \$1,113,190 in transactions with other SchwabFunds.

Federal Tax Data

Cost basis of portfolio	\$1,168,301
As of December 31, 2003:	
Capital losses utilized	\$130

Statement of

Operations

For January 1, 2004 through June 30, 2004; unaudited. All numbers x 1,000.

Investment Income

Interest	\$6,520
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Net Realized Gains and Losses

Net realized gains on investments sold	55
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Expenses

Investment adviser and administrator fees	2,310	
Transfer agent and shareholder service fees	2,779	
Trustees' fees	14	
Custodian and portfolio accounting fees	49	
Professional fees	11	
Registration fees	21	
Shareholder reports	14	
Other expenses	+	9
Total expenses	5,207	
Expense reduction	-	1,132
Net expenses	4,075	

Increase in Net Assets from Operations

Total investment income	6,520
Net expenses	- 4,075
Net investment income	2,445
Net realized gains	+ 55
Increase in net assets from operations	\$2,500

Unless stated, all numbers x 1,000.

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the operating expenses of this fund through April 30, 2005, to 0.66% of average daily net assets. These limits do not include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.
Figures for the current period are unaudited.

Operations

	1/1/04-6/30/04	1/1/03-12/31/03
Net investment income	\$2,445	\$5,103
Net realized gains	+ 55	299
Increase in net assets from operations	2,500	5,402

Distributions Paid

Dividends from net investment income	2,433	5,161
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Transactions in Fund Shares

Shares sold	1,951,270	4,082,999
Shares reinvested	2,157	5,010
Shares redeemed	+ (2,633,700)	(4,069,070)
Net transactions in fund shares	(680,273)	18,939

Net Assets

Beginning of period	1,804,075	1,784,895
Total increase or decrease	+ (680,206)	19,180
End of period	\$1,123,869	\$1,804,075

Unless stated, all numbers x 1,000.

For the prior year, the fund elected not to distribute realized capital gains and accordingly paid federal and state taxes on such gains in the amount of \$58.

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Schwab Massachusetts Municipal Money Fund™

Financial Statements

Financial Highlights

	1/1/04– 6/30/04*	5/16/03 ¹ – 12/31/03
Per-Share Data (\$)		
Net asset value at beginning of period	1.00	1.00
Income from investment operations:		
Net investment income	0.00 ²	0.00 ²
Less distributions:		
Dividends from net investment income	(0.00) ²	(0.00) ²
Net asset value at end of period	1.00	1.00
Total return (%)	0.22 ³	0.30 ³
Ratios/Supplemental Data (%)		
Ratios to average net assets:		
Net operating expenses	0.59 ^{4,5}	0.51 ^{4,6}
Gross operating expenses	0.86 ⁴	0.86 ⁴
Net investment income	0.44 ⁴	0.48 ⁴
Net assets, end of period (\$ x 1,000,000)	384	363

* Unaudited.

¹ Commencement of operations.

² Per share amount was less than \$0.01.

³ Not annualized.

⁴ Annualized.

⁵ In addition to the guaranteed expense limit in place, the investment adviser voluntarily reduced the fund's annualized operating expense ratio by an additional 0.01%.

⁶ In addition to the guaranteed expense limit in place, the investment adviser voluntarily reduced the fund's annualized operating expense ratio by an additional 0.09%.

Portfolio Holdings as of June 30, 2004; unaudited

This section shows all the securities in the fund's portfolio and their value, as of the report date.

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- Liquidity-enhanced security
- Variable-rate security
- Tender option bond
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Value (\$x1,000)
100.8% Municipal Securities	386,934	386,934
100.8% Total Investments	386,934	386,934
(0.8)% Other Assets and Liabilities		(2,900)
100.0% Total Net Assets		384,034

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
---	------------------------------------	------------------------------

Municipal Securities 100.8% of net assets**Massachusetts** 100.0%**Bedford**

BAN		
1.14%, 02/18/05	3,000	3,035

Chicopee

2003 BAN		
1.18%, 11/19/04	3,000	3,009

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
---	------------------------------------	------------------------------

Dighton-Rehoboth Regional SD

BAN R-2		
1.35%, 12/01/04	5,000	5,019

BAN Series R-1		
1.64%, 06/03/05	2,000	2,025

Easton

BAN		
1.60%, 06/10/05	2,000	2,021

Everett

BAN 2003		
1.07%, 09/10/04	5,000	5,007

Foxborough

BAN		
1.63%, 06/16/05	2,500	2,526

Gateway Regional SD

BAN		
1.22%, 02/10/05	3,000	3,032

Haverhil

✦ BAN		
1.20%, 04/01/05	2,000	2,016

Hudson

BAN		
1.27%, 05/13/05	3,000	3,044

Lawrence

School BAN Series 2003		
1.17%, 12/23/04	10,000	10,039

Marion

▲ BAN		
1.68%, 07/15/05	2,324	2,354

Marlborough

BAN		
1.60%, 06/16/05	2,000	2,026

Masconomet Regional SD

BAN		
1.12%, 02/10/05	2,320	2,332

Massachusetts

GO Bonds Consolidated Loan Series 1999C		
1.10%, 09/01/04	2,000	2,013

▀ GO Bonds Consolidated Loan Series 2000C		
1.04%, 07/07/04	10,000	10,000

GO Bonds Consolidated Loan Series 2002A		
1.15%, 01/01/05	2,500	2,535

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
▶■ GO Bonds Consolidated Loan Series 2004A 1.11%, 07/07/04	4,995	4,995	▶■ RB (Sophia Snow Home) Series 2004B 1.07%, 07/07/04	4,350	4,350
▶▶■ GO Bonds Consolidated Loan of 1998 Series C 1.13%, 07/07/04	3,485	3,485	▶■ RB Assumption College Issue, Series 2002A 1.05%, 07/07/04	9,900	9,900
▶■ GO Bonds Consolidated Loan of 2000 Series C 1.09%, 07/07/04	3,000	3,000	▶▶■ RB Boston University Issue Series R-3 1.08%, 07/07/04	6,600	6,600
▶■ GO Refunding Bonds 1998 Series A 1.08%, 07/07/04	7,500	7,500	▶■ RB Dean College Issue, Series 1999 1.08%, 07/07/04	2,000	2,000
GO Refunding Bonds 2003 Series C 1.35%, 12/01/04	1,250	1,264	▶■ RB Fessenden School Issue Series 2001 1.13%, 07/07/04	3,000	3,000
▶■ GO Refunding Bonds 2004-B 1.04%, 07/07/04	11,470	11,470	▶■ RB Gordon College Issue, Series 2002 1.08%, 07/07/04	5,000	5,000
▶■ GO Refunding Bonds Series 2001B 1.11%, 07/07/04	2,750	2,750	▶■ RB Judge Rotenberg Center Issue, Series 2003 1.04%, 07/07/04	1,785	1,785
▶■ GO Refunding Bonds Series 2001C 1.11%, 07/07/04	8,300	8,300	▶■ RB Phillips Academy Issue Series 2003 1.08%, 07/07/04	11,000	11,000
GO Refunding Bonds Series 2003B 1.14%, 12/01/04	3,000	3,036	▶▶■ RB Wentworth Institute of Technology Issue, Series 2000 1.08%, 07/07/04	2,600	2,600
▶TECP Series G 1.09%, 07/14/04	8,900	8,900	▶■ RB You Inc. Issue Series 2002 1.04%, 07/07/04	800	800
Massachusetts Bay Transit Auth			▶■ Senior Living Facility RB Series 2004 (New England Deaconess Association) 1.07%, 07/07/04	7,000	7,000
▶▶■ General Transportation System Bonds Series 1999A 1.09%, 07/07/04	1,000	1,000			
Massachusetts Development Finance Agency			Massachusetts Health & Educational Facilities Auth		
▶▶■ Education RB Dexter School Issue Series 2000 1.08%, 07/07/04	14,720	14,720	■ RB (Williams College) Series I 1.05%, 04/01/05	3,000	3,000
▶■ Education RB Rivers School Issue, Series 2002 1.08%, 07/07/04	5,000	5,000	▶▶■ RB Baystate Medical Center Issue Series D 1.13%, 07/07/04	25,000	25,000
▶■ M/F Housing RB (Midway Studios) Series 2003A 1.16%, 07/07/04	5,000	5,000	▶■ RB Boston Home Issue Series 2002B 1.08%, 07/07/04	5,000	5,000
▶■ M/F Housing RB (Salem Heights Apts) Series 2003A 1.08%, 07/07/04	6,000	6,000	▶▶■ RB Hallmark Health System Issue Series 1998B 1.06%, 07/07/04	3,350	3,350
▶■ RB (Sophia Snow Home) Series 2004A 1.07%, 07/07/04	6,260	6,260	▶■ RB Sherrill House Issue, Series A-1 1.06%, 07/07/04	7,300	7,300

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
■ RB MIT Issue Series K 1.13%, 07/07/04	8,800	8,800	Mendon-Upton Regional SD BAN 2004 1.24%, 04/28/05	3,000	3,043
Massachusetts HFA ➤ Housing Bonds Series 2003F 1.02%, 07/07/04	10,700	10,700	Millbury BAN 1.45%, 01/21/05	5,000	5,015
➤ M/F Housing Refunding RB Series 1995A 1.09%, 07/07/04 S/F Housing Notes Series Q 1.02%, 12/01/04	5,000 5,000	5,000 5,000	Natick BAN 1.09%, 04/29/05	2,000	2,015
Massachusetts IFA + RB Williston Northampton School Issue Series B 1.08%, 07/07/04	4,900	4,900	New Bedford BAN 1.14%, 02/25/05	5,000	5,028
Massachusetts Muni Wholesale Electric Co ➤ Power Supply Project RB Series A Nuclear Project No. 4, 5, 6 1.08%, 07/07/04	8,000	8,000	Old Rochester Regional SD Unlimited Tax BAN 2003 1.18%, 10/15/04	8,200	8,219
Massachusetts Port Auth + Refunding RB Series 2003C 1.02%, 07/01/04 + TECP Series 2003A 1.07%, 07/06/04 + TECP Series 2003B 1.09%, 07/07/04	2,200 1,000 2,000	2,200 1,000 2,000	Peabody BAN Series 2003 1.05%, 10/01/04	3,600	3,609
Massachusetts Turnpike Auth ➤ Western Turnpike RB Series 1997A 1.13%, 07/07/04	9,250	9,250	Pembroke BAN 1.13%, 08/05/04	5,000	5,003
Massachusetts Water Pollution Abatement Trust ■ Pool Program Bonds Series 5 1.09%, 07/07/04 ■ Water Pollution Abatement RB (MWRA) Subordinate Series 1999A 1.09%, 07/07/04	5,000 15,000	5,000 15,000	Ralph C. Mahar Regional SD ▲ BAN 1.69%, 07/14/05	2,000	2,026
Massachusetts Water Resources Auth + TECP Series 1994 1.07%, 07/06/04	3,000	3,000	Tewksbury BAN 1.11%, 02/18/05	2,500	2,514
Medford BAN 2003 1.10%, 09/10/04	3,000	3,005	Weymouth BAN 1.46%, 03/10/05	3,000	3,032
			Whitman-Hanson Regional SD BAN 1.03%, 01/14/05	3,000	3,023
			Williamstown Unlimited Tax BAN 1.37%, 05/05/05	3,000	3,041
			Woburn BAN 1.19%, 04/08/05	3,000	3,013
					383,834

Portfolio Holdings continued

Issuer	Face Amount	Value
Rate, Maturity Date	(\$ x 1,000)	(\$ x 1,000)

Puerto Rico 0.8%

Puerto Rico

Public Improvement Bonds		
2000		
1.07%, 07/07/04	3,100	3,100

End of investments.

Statement of

Assets and Liabilities

As of June 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$386,934
Cash	146
Interest receivable	1,449
Prepaid expenses	+ 10
Total assets	388,539

Liabilities

Payables:	
Dividends to shareholders	82
Investments bought	4,386
Investment adviser and administrator fees	1
Transfer agent and shareholder service fees	5
Accrued expenses	+ 31
Total liabilities	4,505

Net Assets

Total assets	388,539
Total liabilities	- 4,505
Net assets	\$384,034

Net Assets by Source

Capital received from investors	384,092
Net realized capital losses	(58)

Net Asset Value (NAV)

Net Assets	÷	Shares Outstanding	=	NAV
\$384,034		384,092		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$386,934. During the reporting period, the fund had \$358,895 in transactions with other Schwab Funds.

Federal Tax Data**Cost basis of portfolio** \$386,934**As of December 31, 2003:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2011	\$2

Statement of

Operations

For January 1, 2004 through June 30, 2004; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$1,903****Net Realized Gains and Losses**Net realized losses on investments sold **(56)****Expenses**

Investment adviser and administrator fees 696

Transfer agent and shareholder service fees 824

Trustees' fees 13

Custodian and portfolio accounting fees 15

Professional fees 10

Registration fees 4

Shareholder reports 9

Other expenses + 4

Total expenses 1,575

Expense reduction - 485

Net expenses 1,090**Increase in Net Assets from Operations****Total investment income 1,903****Net expenses - 1,090****Net investment income 813****Net realized losses + (56)****Increase in net assets from operations \$757**

Unless stated, all numbers x 1,000.

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction consisted of two components. A reduction of \$475, which reduced the fund's annualized operating expense ratio (OER) by 0.26%, was made by the investment adviser (CSIM) to reflect a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the OER of this fund through April 30, 2005, to 0.60% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses. Also, CSIM voluntarily waived an additional \$10 of the fund's expenses, which reduced the fund's annualized OER by an additional 0.01%. The combination of these two waivers resulted in a net annualized OER for the period of 0.59%.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.
Figures for the current period are unaudited.

Operations

	1/1/04-6/30/04	5/16/03*-12/31/03
Net investment income	\$813	\$1,063
Net realized losses	(56)	(2)
Increase in net assets from operations	757	1,061

Distributions Paid

Dividends from net investment income	813	1,063
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Transactions in Fund Shares

Shares sold	667,153	1,001,230
Shares reinvested	720	1,047
Shares redeemed	+ (646,313)	(639,745)
Net transactions in fund shares	21,560	362,532

Net Assets

Beginning of period	362,530	—
Total increase	+ 21,504	362,530
End of period	\$384,034	\$362,530

Unless stated, all numbers x 1,000.

Because all transactions in this section took place at \$1.00 a share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

* Commencement of operations.

Financial Notes unaudited

Business Structure of the Funds

Each of the funds discussed in this report is a series of The Charles Schwab Family of Funds, a no-load, open-end management investment company. The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the funds in this report and their trust.

The Schwab New York Municipal Money Fund offers two share classes : Sweep Shares and Value Advantage Shares. Shares of each class represent interests in the same portfolio, but each class has different expenses and investment minimums. The Schwab New Jersey Municipal Money, Pennsylvania Municipal Money, Florida Municipal Money and Massachusetts Municipal Money Funds each offers one share class.

Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

Fund Operations

Most of the funds' investments are described in the fund-by-fund sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the funds' business operations also are described here.

The funds declare dividends every day they are open for business. These dividends, which are equal to a fund's net investment income for that day, are paid out to shareholders once a month. The funds may make distributions from any net realized capital gains once a year.

The funds may buy securities on a delayed-delivery basis. In these transactions, a fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, a fund could end up paying more for the security than its market value at the time of settlement. The funds have set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

The funds pay fees to affiliates of the investment adviser for various services. Through their trust, the funds have agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the funds that may limit the total expenses charged. The rates and limitations for these fees vary from fund to fund, and are described in each fund's Statement of Operations.

The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The funds discussed in this report are highlighted.

The Charles Schwab Family of Funds

organized October 20, 1989

- Schwab Money Market Fund
- Schwab Government Money Fund
- Schwab U.S. Treasury Money Fund
- Schwab Value Advantage Money Fund
- Schwab Municipal Money Fund
- Schwab California Municipal Money Fund
- Schwab New York Municipal Money Fund**
- Schwab New Jersey Municipal Money Fund**
- Schwab Pennsylvania Municipal Money Fund**
- Schwab Florida Municipal Money Fund**
- Schwab Massachusetts Municipal Money Fund**
- Schwab Retirement Advantage Money Fund
- Schwab Retirement Money Fund
- Schwab Government Cash Reserves

The funds may engage in certain transactions involving affiliates. The funds may make direct transactions with certain other SchwabFunds when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

Pursuant to an exemptive order issued by the SEC, the funds may enter into interfund borrowing and lending transactions within the SchwabFunds. All loans are for temporary or emergency purposes only. The interest rate charged on the loan is the average of the overnight repurchase agreement rate and the short-term bank loan rate. The interfund lending facility is subject to the oversight and periodic review of the Board of Trustees of the SchwabFunds.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such “interested persons” who may serve on a trust’s board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund’s Statement of Operations.

The funds may borrow money from banks and custodians. The funds may obtain temporary bank loans through the trust to which they belong, to use for meeting shareholder redemptions or for extraordinary or emergency purposes. The trusts have custodian overdraft facilities and line of credit arrangements of \$150 million and \$100 million with PNC Bank, N.A. and Bank of America, N.A., respectively. The funds pay interest on the amounts they borrow at rates that are negotiated periodically.

The funds intend to meet federal income and excise tax requirements for regulated investment companies. Accordingly, the funds distribute substantially all of their net investment income and net realized capital gains (if any) to their respective shareholders each year. As long as a fund meets the tax requirements, it is not required to pay federal income tax.

Under the funds’ organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the funds. In addition, in the normal course of business the funds enter into contracts with their vendors and others that provide general indemnifications. The funds’ maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the funds. However, based on experience, the funds expect the risk of loss to be remote.

Accounting Policies

The following are the main policies the funds use in preparing their financial statements.

The funds value their securities at amortized cost, which approximates market value.

Security transactions are recorded as of the date the order to buy or sell the security is executed.

Interest income is recorded as it accrues. If a fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security’s call date and price, rather than the maturity date and price.

Realized gains and losses from security transactions are based on the identified costs of the securities involved.

Expenses that are specific to a fund or a class are charged directly to that fund or class. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their average daily net assets.

For funds offering multiple share classes, all of the realized and unrealized gains or losses and net investment income, other than class specific expenses, are allocated daily to each class in proportion to its net assets.

Each fund maintains its own account for purposes of holding assets and accounting, and is considered a separate entity for tax purposes. Within its account, each fund also keeps certain assets in segregated accounts, as may be required by securities law.

The accounting policies described above conform with accounting principles generally accepted in the United States of America. Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

Fund Trustees unaudited

A fund’s Board of Trustees is responsible for protecting the interests of that fund’s shareholders. The tables below give information about the people who serve as trustees and officers for the SchwabFunds®, including the funds covered in this report. Trustees remain in office until they resign, retire or are removed by shareholder vote.¹

Under the Investment Company Act of 1940, any officer, director, or employee of Schwab or CSIM is considered an “interested person,” meaning that he or she is considered to have a business interest in Schwab or CSIM. These individuals are listed as “interested trustees.” The “independent trustees” are individuals who, under the 1940 Act, are not considered to have a business interest in Schwab or CSIM.

Each of the SchwabFunds® (of which there were 49 as of 6/30/04) belongs to one of these trusts: The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust or Schwab Annuity Portfolios. Currently all these trusts have the same trustees and officers. The address for all trustees and officers is 101 Montgomery Street, San Francisco, CA 94104. You can find more information about the trustees and officers in the Statement of Additional Information, which is available free by calling 1-800-435-4000.

Individuals Who Are Interested Trustees and Officers of the Trust

Name and Birthdate	Trust Position(s); Trustee Since	Main Occupations and Other Directorships and Affiliations
Charles R. Schwab ² 7/29/37	Chair, Trustee: Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, Director, The Charles Schwab Corp., Charles Schwab & Co., Inc. Charles Schwab Investment Management, Inc., Charles Schwab Holdings (UK); CEO, Director, Charles Schwab Holdings, Inc.; Chair, CEO Schwab (SIS) Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, Siebel Systems (software), Xsign, Inc. (electronic payment systems); Trustee, Stanford University. <i>Until 5/04:</i> Director, The Gap, Inc. (clothing retailer). <i>Until 2003:</i> Co-CEO, The Charles Schwab Corp. <i>Until 2002:</i> Director, Audiobase, Inc. (Internet audio solutions). <i>Until 5/02:</i> Director, Vodaphone AirTouch PLC (telecommunications). <i>Until 7/01:</i> Director, The Charles Schwab Trust Co.; TrustMark, Inc.

¹ The SchwabFunds retirement policy requires that independent trustees elected after January 1, 2000 retire at age 72 or after twenty years of service as a trustee, whichever comes first. Independent trustees elected prior to January 1, 2000 will retire on the following schedule: Messrs. Holmes and Dorward will retire on December 31, 2007, and Messrs. Stephens and Wilsey will retire on December 31, 2010.

² In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Mr. Schwab also own stock of The Charles Schwab Corporation.

Individuals Who Are Interested Trustees but Not Officers of the Trust

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Dawn G. Lepore ¹ 3/21/54	2003 (all trusts).	Vice Chair, The Charles Schwab Corp.; <i>Until 10/01</i> : CIO, The Charles Schwab Corporation. <i>Until 1999</i> : EVP, The Charles Schwab Corporation. Director, Wal-Mart Stores, eBay, Inc.

Individuals Who Are Officers of the Trust but Not Trustees

Name and Birthdate	Trust Office(s) Held	Main Occupations and Other Directorships and Affiliations
Randall W. Merk 7/25/54	President, CEO (all trusts).	President, CEO, Charles Schwab Investment Management, Inc.; EVP, Charles Schwab & Co., Inc.; Director, Charles Schwab Worldwide Funds PLC, Charles Schwab Asset Management (Ireland) Ltd. <i>Until 9/02</i> : President, CIO, American Century Investment Management; Director, American Century Cos., Inc. <i>Until 6/01</i> : CIO, Fixed Income, American Century Cos., Inc. <i>Until 1997</i> : SVP, Director, Fixed Income and Quantitative Equity Portfolio Management, Twentieth Century Investors, Inc.
Tai-Chin Tung 3/7/51	Treasurer, Principal Financial Officer (all trusts).	SVP, CFO, Charles Schwab Investment Management, Inc.; SVP, The Charles Schwab Trust Co.; Director, Charles Schwab Asset Management (Ireland) Ltd., Charles Schwab Worldwide Funds PLC.
Stephen B. Ward 4/5/55	SVP, Chief Investment Officer (all trusts).	SVP, Chief Investment Officer, Director, Charles Schwab Investment Management, Inc.; CIO, The Charles Schwab Trust Co.
Koji E. Felton 3/13/61	Secretary (all trusts).	SVP, Chief Counsel, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. <i>Until 6/98</i> : Branch Chief in Enforcement, U.S. Securities and Exchange Commission, San Francisco.

¹ In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Mr. Schwab also own stock of The Charles Schwab Corporation.

Individuals Who Are Independent Trustees

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Mariann Byerwalter 8/13/60	2000 (all trusts).	Chair, JDN Corp. Advisory LLC; Trustee, Stanford University, America First Cos., (venture capital/fund management), Redwood Trust, Inc. (mortgage finance), Stanford Hospitals and Clinics, SRI International (research), PMI Group, Inc. (mortgage insurance), Lucile Packard Children's Hospital, Laudus Trust, Laudus Variable Insurance Trust. <i>2001</i> : Special Advisor to the President, Stanford University. <i>Until 2002</i> : Director, LookSmart, Ltd. (Internet infrastructure). <i>Until 2001</i> : VP, Business Affairs, CFO, Stanford University.
Donald F. Dorward 9/23/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	CEO, Dorward & Associates (corporate management, marketing and communications consulting). <i>Until 1999</i> : EVP, Managing Director, Grey Advertising.
William A. Hasler 11/22/41	2000 (all trusts).	Co-CEO, Aphton Corp. (bio-pharmaceuticals). Trustee, Solectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Corp. (network equipment); Public Governor, Laudus Trust, Laudus Variable Insurance Trust; Member, executive committee, Pacific Stock & Options Exchange. <i>Until 2003</i> : Trustee, Tenera, Inc. (services and software). <i>Until 1998</i> : Dean, Haas School of Business, University of California, Berkeley.
Robert G. Holmes 5/15/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Director, Semloh Financial, Inc. (international financial services and investment advice).
Gerald B. Smith 9/28/50	2000 (all trusts).	Chair, CEO, Founder, Smith Graham & Co. (investment advisors); Trustee, Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products, tools and hardware); Member, audit committee, Northern Border Partners, L.P. (energy). <i>Until 2002</i> : Director, Pennzoil-Quaker State Co. (oil and gas).
Donald R. Stephens 6/28/38	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Managing Partner, D.R. Stephens & Co. (investments). <i>Until 1996</i> : Chair, CEO, North American Trust (real estate investment trust).
Michael W. Wilsey 8/18/43	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Wilsey Bennett, Inc. (transportation, real estate and investments).

Glossary

agency discount notes Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

Alternative Minimum Tax (AMT) A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

asset-backed securities Bonds or other debt securities that represent ownership in a pool of debt obligations such as credit card debt.

bond A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed income securities” or “debt securities.”

An individual bond is subject to the credit risk of the issuer. Changes in interest rates can affect a bond's market value prior to call or maturity. There is no guarantee that a bond's yield to call or maturity will provide a positive return over the rate of inflation.

bond fund A bond fund is subject to the same credit, interest rate, and inflation risks as bonds. In addition, a bond fund incurs ongoing fees and expenses. A bond fund's net asset value will fluctuate with the price of the underlying bonds and the portfolio turnover activity; return of principal is not guaranteed.

bond anticipation notes Obligations sold by a municipality on an interim basis in anticipation of the municipality's issuance of a longer-term bond in the future.

capital gain, capital loss The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

commercial paper Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but

sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

credit-enhanced securities Securities that are backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security's value, are designed to help lower the risk of default on a security and may also make the security more liquid.

credit quality The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

credit ratings Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

credit risk The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

ACES	Adjustable convertible extendable security
BAN	Bond anticipation note
COP	Certificate of participation
GAN	Grant anticipation note
GO	General obligation
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Board
IDRB	Industrial Development Revenue Bond
M/F	Multi-family
RAN	Revenue anticipation note
RB	Revenue bond
S/F	Single-family
TAN	Tax anticipation note
TECP	Tax-exempt commercial paper
TRAN	Tax and revenue anticipation note
VRD	Variable-rate demand

dollar-weighted average maturity (DWAM) See weighted average maturity.

effective yield A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

expense ratio The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

face value The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

illiquid securities Securities are generally considered illiquid if they cannot be disposed of promptly (typically within seven days) and in the ordinary course of business at approximately the amount at which a fund has valued the instruments.

interest Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

liquidity-enhanced security A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

maturity The date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

money market securities High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

muni, municipal bonds, municipal securities Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

net asset value per share (NAV) The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

outstanding shares, shares outstanding When speaking of a company or mutual fund, indicates all shares currently held by investors.

restricted securities Securities that are subject to contractual restrictions on resale and may be sold only to "qualified institutional buyers" under Securities Act Rule 144A. These securities are often purchased in private placement transactions.

revenue anticipation notes Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

section 3c7 securities Section 3c7 of the Investment Company Act of 1940 (the "1940 Act") exempts certain issuers from many regulatory requirements applicable to investment companies under the 1940 Act. An issuer whose outstanding securities are exclusively owned by "qualified purchasers" and who is not making or proposing to make a public offering of the securities may qualify for this exemption.

section 4(2)/144A securities Securities exempt from registration under Section 4(2) of the Securities Act of 1933. These securities may be sold only to qualified institutional buyers under Securities Act Rule 144A.

taxable-equivalent yield The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ($4.5\% \div [1 - 0.25\%] = 6.0\%$).

total return The percentage that an investor would have earned or lost on an investment in the fund assuming dividends and distributions were reinvested.

tax anticipation notes Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

Tier 1, Tier 2 Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

weighted average maturity For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

yield The income paid out by an investment, expressed as a percentage of the investment's market value.

Notes

Notes

Notes

Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a clearly defined investment approach and using disciplined management strategies. The list at right shows all currently available SchwabFunds®.

Whether you're an experienced investor or just starting out, SchwabFunds® can help you achieve your financial goals. An investor should consider a fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information can be found in the fund's prospectus. Please call 1-800-435-4000 for a prospectus and brochure for any SchwabFund®. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

Methods for Placing Orders

The following information outlines how Schwab investors can place orders. If you are investing through a third-party investment provider, methods for placing orders may be different.

Internet¹

www.schwab.com

Schwab by Phone™²

Use our automated voice service or speak to a representative. Call **1-800-435-4000**, day or night (for TDD service, call **1-800-345-2550**).

TeleBroker®

Automated touch-tone phone service at **1-800-272-4922**.

Mail

Write to SchwabFunds® at:
P.O. Box 3812
Englewood, CO 80155-3812

When selling or exchanging shares, be sure to include the signatures of at least one of the persons whose name is on the account.

Proxy Voting Policies and Procedures

A description of the proxy voting policies and procedures used to determine how to vote proxies on behalf of the funds is available without charge, upon request, by visiting Schwab's web site at www.schwab.com/schwabfunds, the SEC's web site at <http://www.sec.gov>, or by contacting SchwabFunds at 1-800-435-4000.

The SchwabFunds Family®

Stock Funds

Schwab S&P 500 Fund
Schwab 1000 Fund®
Schwab Small-Cap Index Fund®
Schwab Total Stock Market Index Fund®
Schwab International Index Fund®
Schwab Core Equity Fund™
Schwab Dividend Equity Fund™
Schwab Small-Cap Equity Fund™
Schwab Hedged Equity Fund™
Schwab Focus Funds
 Communications Focus Fund
 Financial Services Focus Fund
 Health Care Focus Fund
 Technology Focus Fund
Schwab MarketMasters Funds®
 Schwab U.S. MarketMasters Fund™
 Schwab Small-Cap MarketMasters Fund™
 Schwab International MarketMasters Fund™
 Schwab Balanced MarketMasters Fund™

Asset Allocation Funds

Schwab MarketTrack Portfolios®
 Schwab MarketTrack All Equity Portfolio™
 Schwab MarketTrack Growth Portfolio™
 Schwab MarketTrack Balanced Portfolio™
 Schwab MarketTrack Conservative Portfolio™

Bond Funds

Schwab YieldPlus Fund®
Schwab Short-Term Bond Market Fund™
Schwab Total Bond Market Fund™
Schwab GNMA Fund™
Schwab Short/Intermediate Tax-Free Bond Fund™
Schwab Long-Term Tax-Free Bond Fund™
Schwab California Short/Intermediate Tax-Free Bond Fund™
Schwab California Long-Term Tax-Free Bond Fund™

Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.³ Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically, subject to availability, when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

¹ Shares of Sweep Investments™ may not be purchased directly over the Internet.

² Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

³ Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

Investment Adviser

Charles Schwab Investment Management, Inc.
101 Montgomery Street, San Francisco, CA 94104

Distributor

SchwabFunds®
P.O. Box 3812, Englewood, CO 80155-3812

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Schwab California Municipal Money FundTM

Semiannual Report

June 30, 2004

In This Report

Schwab California Municipal Money Fund

Sweep Shares: **SWCXX**

Value Advantage Shares™: **SWKXX**

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From the Chairman



Charles R. Schwab
Chairman

When I founded Schwab 30 years ago, our goal was to offer investors the highest quality brokerage services at the lowest possible price.

As the company evolved and our client base grew, we continued to offer products and services that were aligned with this vision. Whether it was on-line trading, a mutual fund supermarket, or specific funds that take advantage of new tax laws, we have a history of offering innovative products and services that are based on your investment needs.

Today, we continue to build on this heritage. More specifically, as we conceptualize, develop and analyze new products, we consistently question how our shareholders will benefit. We also research the ways in which the products are delivered, so we can continue to provide the products and services that will help you meet your financial goals. On the next page, Randy Merk, president of SchwabFunds®, elaborates on how some products may help to reduce your fund expenses.

On behalf of SchwabFunds®, I thank you for investing with us, and remind you that our commitment to our shareholders will never waver.

Sincerely,

A handwritten signature in black ink that reads "Charles R. Schwab". The signature is written in a cursive, flowing style.

Management's Discussion for the six months ended June 30, 2004



Randall W. Merk is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

To elaborate on Chuck Schwab's letter on the previous page, we not only listen to our shareholders' requests, we also try to anticipate your investing needs. Because we know that fees and expenses can reduce your mutual fund returns, we consistently look for ways that we can offer you a better value.

One way we can help you is by offering lower-priced share classes for some of the more popular SchwabFunds. Select Shares® and Value Advantage Shares™ are share classes that offer lower expense levels in exchange for higher investment minimums. I like to compare it to buying name-brand products in bulk from a warehouse-type store, rather than purchasing smaller quantities from the corner market. It's the same product but is less expensive when you can buy in bulk.

Our Value Advantage Shares, for example, are available for many of our money funds if you initially invest \$25,000 or more. The expense levels on these types of shares can be lower than what the Sweep Shares for the same fund carry.

This is why I encourage you to review your accounts to see if you are eligible to purchase these money-saving shares. If you would like to learn more about these potentially cost-saving shares, as well as which of our stock and bond funds offer Select Shares, our investment consultants are available to assist you.

Thank you for investing with us.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk". The signature is written in a cursive, flowing style.



Kevin Shaughnessy, CFA, a vice president of the investment adviser and senior portfolio manager, is responsible for the day-to-day management of the fund. Prior to joining the firm in 2000, he worked for more than ten years in fixed-income portfolio management.

The Investment Environment and the Fund

The encouraging economic climate that was reported in late 2003 continued to improve into 2004. Businesses added to their inventories, factory orders rose amid the pick-up in capital spending and production gained some strength. Retail sales continued to rise, despite a pause in the upward trend in consumer confidence. Mortgage refinancing activity, while still significant, waned as mortgage rates inched slightly upward. The only big piece missing was job growth, which remained sluggish through the beginning of first quarter.

Amid this benign inflationary environment, the Federal Reserve (the Fed) elected to hold the Fed funds rate at a 45-year low in March to provide liquidity necessary to maintain economic growth. Job growth picked up strongly in March and continued into the second quarter. With the economic recovery now broad-based, investors, who only a year ago feared deflation, now started to worry about inflation. Most market watchers expected the Fed to raise interest rates, and it did at the end of June. At that time the Federal Open Market Committee increased the Fed funds target 0.25% to 1.25%, the first rate hike since May 2000, when the Fed funds target was raised to 6.50%.

For the first four months of the period, short-term muni yields were unchanged to lower. It wasn't until May and June that we saw a significant rise in yields as it appeared increasingly obvious that the Fed was going to tighten monetary policy. During the six-month period ending June 30, yields on the municipal money funds decreased by an average 0.07%. The weighted average maturities of our municipal money market funds during the report period were an average 15 days longer than our peers.

The fund purchased weekly variable-rate notes and commercial paper with maturities of less than six months during the first four months of the year, as they offered the best relative value while rates remained range bound. Just prior to the Fed tightening, fixed-rate notes with maturities from 6-13 months became very attractive, and we increased our holdings in them. The yield spread between one-year notes and three-month commercial paper widened to approximately 0.50% during this time, significantly higher than the 0.15% three-year average for this spread.

With the economic recovery now broad-based, investors, who only a year ago feared deflation, now started to worry about inflation.

At the beginning of 2004, newly elected California Governor Arnold Schwarzenegger unveiled a comprehensive proposal for fiscal year 2005's budget, which identified a multi-year general-fund gap of nearly \$26 billion. A key component of this plan was to refinance up to \$15 billion of the accumulated budget deficit through the sale of deficit bonds, which were subsequently approved by state voters in March 2004. The sale of bonds in May and June provided the resources to repay \$14 billion of short-term loans that were due in June, easing the state's near-term liquidity crisis. Other elements of the Governor's budget plan were incorporated into a May revision that included significant cuts to education, health and welfare spending, as well as additional transfers and deferrals. As of June 30, 2004, the new budget had not been enacted for the fiscal year that began on July 1. However, expectations for improving revenues and the broad outlines of bipartisan agreement improved the prospects for near-term resolution. Even with enactment of the Governor's proposal, the state's Legislative Analyst's Office projected recurring annual budget gaps of as much as \$8 billion.

California's economic recovery strengthened, with renewed growth in California exports and accelerating growth in personal income. California job growth, however, continued to lag national trends. In fact, during the past three years, the state lost 2% of its job base, mostly in technology-heavy Northern California. The Department of Finance forecast 0.8% growth in employment for 2004.

The state's recent financial difficulties can be traced to its dependence on income taxes and the growth in stock-related income, especially options, which became widely used by the technology and business services industries in the late 1990s. During this period, the state increased spending and reduced taxes without full regard for the volatility of these revenues. As economic and revenue growth slowed, a politically divided legislature failed to cut spending or raise revenues proportionately, passing deficit budgets and relying on one-time solutions that left the underlying problems largely unaddressed.

With voter approval of the deficit bonds in March, the state's credit ratings largely stabilized at low investment-grade levels. Moody's upgraded California's rating to A3 in May 2004, while Standard & Poor's and Fitch both rated the state BBB. As of June 30, 2004, Standard & Poor's had the state on its watch list for a possible rating upgrade, while Fitch continued to have California on its watch list for possible further downgrades. Though some of the state's underlying units of government, particularly counties, have absorbed cuts to their revenues as a result of the state budget cuts, only a few credit ratings were lowered and most remain solidly investment grade.

During the report period, the fund continued to take several steps to help ensure that its investments would be of the highest credit quality. First, we limited our holdings of direct state obligations and increased our holdings of other municipal issuers within the state, such as cities, universities, counties and school districts. In addition, we favored securities whose credit was enhanced by highly rated banks and insurance companies. As of the report date, approximately 66% of the portfolio, including many of our direct state holdings, carried these credit enhancements.

Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/04

Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yields include the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate.

	Sweep Shares	Value Advantage Shares
Seven-Day Yield ¹	0.40%	0.60%
Seven-Day Yield–No Waiver ²	0.23%	0.46%
Seven-Day Effective Yield ¹	0.40%	0.60%
Seven-Day Taxable-Equivalent Effective Yield ^{1,3}	0.68%	1.02%

The performance data quoted represents past performance. Past performance does not guarantee future results. Current performance may be lower or higher than performance data quoted. To obtain more current performance information, please visit www.schwab.com/schwabfunds.

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

Weighted Average Maturity	56 days
Credit Quality of Holdings % of portfolio	100% Tier 1
Credit-Enhanced Securities % of portfolio	66%

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

Portfolio holdings may have changed since the report date.
¹ Fund expenses have been partially absorbed by CSIM and Schwab.
² Yield if fund expenses had not been partially absorbed by CSIM and Schwab.
³ Taxable-equivalent effective yield assumes a 2004 maximum combined federal regular income and California state personal income tax rate of 41.05%. Investment income may be subject to the Alternative Minimum Tax.

Financial Statements

Financial Highlights

Sweep Shares	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.00 ¹	0.01	0.02	0.03	0.02
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.00) ¹	(0.01)	(0.02)	(0.03)	(0.02)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.20 ²	0.46	0.83	1.99	3.02	2.42
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.65 ³	0.65	0.65	0.65	0.66 ⁴	0.65
Gross operating expenses	0.82 ³	0.82	0.82	0.82	0.84	0.85
Net investment income	0.40 ³	0.45	0.83	1.98	2.98	2.41
Net assets, end of period (\$ x 1,000,000)	4,255	4,169	4,056	3,897	3,923	3,457
Value Advantage Shares						
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.01	0.02	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.01)	(0.02)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.30 ²	0.66	1.03	2.19	3.22	2.62
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.45 ³	0.45	0.45	0.45	0.46 ⁵	0.45
Gross operating expenses	0.59 ³	0.59	0.59	0.61	0.63	0.65
Net investment income	0.60 ³	0.65	1.03	2.11	3.20	2.60
Net assets, end of period (\$ x 1,000,000)	2,985	3,061	3,081	2,563	2,170	1,604

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratio of net operating expenses would have been 0.65% if certain non-routine expenses (proxy fees) had not been included.

⁵ The ratio of net operating expenses would have been 0.45% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of June 30, 2004; unaudited

This section shows all the securities in the fund's portfolio and their value, as of the report date.

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security
- Tender option bond
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category		Cost (\$x1,000)	Value (\$x1,000)
112.7%	Municipal Securities	8,156,758	8,156,758
112.7%	Total Investments	8,156,758	8,156,758
(12.7)%	Other Assets and Liabilities		(917,280)
100.0%	Total Net Assets		7,239,478

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
-------------------------------	-----------------------------	-----------------------

Municipal Securities 112.7% of net assets
California 110.5%**Affordable Housing Agency**

✦■ M/F Housing RB (Westridge at Hilltop Apts) Series 2003A 1.07%, 07/07/04	14,100	14,100
---	--------	--------

Alameda Cnty IDA

✦■ RB (JMS Family Partnership) Series 1995A 1.07%, 07/07/04	1,000	1,000
--	-------	-------

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
-------------------------------	-----------------------------	-----------------------

✦■ RB 1999 Series 1999A (Malmberg Engineering) 1.25%, 07/07/04	2,310	2,310
✦■ RB Series 1993A (Aitchison Family Partnership) 1.07%, 07/07/04	2,600	2,600
✦■ RB Series 1994A (Scientific Technology) 1.12%, 07/07/04	2,200	2,200

Alameda-Contra Costa Transit District

✦ 2003-04 RAN 0.98%, 08/19/04	14,000	14,019
✦▲ 2004-05 RAN 1.58%, 07/07/05	12,000	12,167

Anaheim Housing Auth

✦■ M/F Housing RB (Casa Granada Apts) Series 1997A 1.11%, 07/07/04	3,595	3,595
✦■ M/F Housing RB (Park Vista Apts) Series 2000D 1.09%, 07/07/04	21,000	21,000
✦■ M/F Housing RB (Port Trinidad Apts) Series 1997C 1.11%, 07/07/04	2,040	2,040
✦■ M/F Housing Refunding RB (Sage Park) Series 1998A 1.11%, 07/07/04	5,500	5,500

Anaheim Union High SD

✦■ School Facility Bridge Funding Program COP Series 1999 1.06%, 07/07/04	5,500	5,500
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Association of Bay Area Governments

✦■ Bart SFO Extension Bonds (Airport Premium Fare) Series 2002A 1.25%, 07/07/04	9,995	9,995
✦■ COP (Harker School Foundation) Series 1998 1.09%, 07/07/04	4,500	4,500
✦■ Lease RB Series 2003A 1.17%, 07/07/04	8,000	8,000
✦■ M/F Housing RB (Artech Building) Series 1999A 1.10%, 07/07/04	3,200	3,200

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
➤■ M/F Housing RB (Crossing Apts) Series 2002A 1.11%, 07/07/04	55,700	55,700	➤■ Economic Recovery Bonds Series 2004C-6 1.05%, 07/01/04	50,500	50,500
➤■ M/F Housing RB (Miramar Apts) Series 2000A 1.11%, 07/07/04	30,000	30,000	➤■ Economic Recovery Bonds Series 2004C-8 1.08%, 07/01/04	37,500	37,500
➤■ M/F Housing RB (Mountain View Apts) Series 1997A 1.20%, 07/07/04	6,230	6,230	➤■ Economic Recovery Bonds Series 2004C-9 1.08%, 07/01/04	22,500	22,500
➤■ RB (Public Policy Institute of California) Series 2001A 1.10%, 07/07/04	9,000	9,000	➤■ Economic Recovery Bonds Series 2004C-10 1.04%, 07/07/04	75,000	75,000
Bay Area Toll Auth			➤■ Economic Recovery Bonds Series 2004C-11 1.03%, 07/07/04	5,000	5,000
➤■ San Francisco Bay Area Toll Bridge RB Series 2003C 1.06%, 07/07/04	93,400	93,400	➤■ Economic Recovery Bonds Series 2004C-12 1.07%, 07/07/04	27,000	27,000
➤■ San Francisco Bay Area Toll Bridge RB Series D 1.13%, 07/07/04	10,125	10,125	➤■ Economic Recovery Bonds Series 2004C-14 1.00%, 07/07/04	50,000	50,000
➤■ San Francisco Bay Area Toll Bridge RB Series 2001C 1.06%, 07/07/04	55,685	55,685	➤■ Economic Recovery Bonds Series 2004C-16 1.05%, 07/07/04	78,380	78,380
Burbank Redevelopment Agency			➤■ Economic Recovery Bonds Series 2004C-18 1.03%, 07/07/04	24,900	24,900
➤■ M/F Housing RB Series 1985A 1.02%, 07/07/04	9,160	9,160	➤■ Economic Recovery Bonds Series 2004C-18 GO Bonds 1.10%, 07/07/04	41,705	41,705
California			➤■ 1.11%, 07/07/04	125,820	125,820
➤■ Economic Recovery Bonds Series 2004A 1.09%, 07/07/04	42,862	42,862	➤■ 1.12%, 07/07/04	107,565	107,565
➤■ 1.09%, 07/07/04	115,650	115,650	➤■ 1.20%, 07/07/04	6,995	6,997
➤■ 1.10%, 07/07/04	8,495	8,495	GO Bonds Series 1999		
➤■ 1.10%, 07/07/04	18,745	18,745	➤■ 1.09%, 07/07/04	10,835	10,835
➤■ 1.11%, 07/07/04	31,420	31,420	➤■ 1.10%, 07/07/04	13,675	13,675
➤■ 1.11%, 07/07/04	39,995	39,995	➤■ GO Bonds Series 2003 A-1 1.12%, 07/01/04	4,010	4,010
➤■ Economic Recovery Bonds Series 2004C-1 1.12%, 07/01/04	14,220	14,220	➤■ GO Bonds Series 2003 A-2 1.05%, 07/01/04	34,275	34,275
➤■ Economic Recovery Bonds Series 2004C-2 1.06%, 07/01/04	10,500	10,500	➤■ GO Bonds Series 2003 A-3 1.06%, 07/01/04	7,100	7,100
➤■ Economic Recovery Bonds Series 2004C-3 1.06%, 07/01/04	59,000	59,000	➤■ GO Bonds Series 2003 B-4 1.04%, 07/07/04	26,800	26,800
➤■ Economic Recovery Bonds Series 2004C-5 1.04%, 07/01/04	22,395	22,395	➤■ GO Bonds Series 2003 C-1 1.08%, 07/07/04	20,145	20,145
			➤■ GO Bonds Series 2003 C-2 1.06%, 07/07/04	58,500	58,500
			➤■ GO Bonds Series 2003 C-3 1.08%, 07/07/04	35,000	35,000

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
■ GO Bonds Series 2003 C-4 1.08%, 07/07/04 TECP + 1.05%, 07/06/04 + 1.08%, 07/07/04 + 1.10%, 07/08/04 + 1.05%, 07/12/04 + 1.08%, 07/12/04 + 1.10%, 07/12/04 + 1.07%, 07/13/04 + 1.09%, 07/14/04 + 1.10%, 08/11/04 + 1.10%, 08/12/04 + 1.09%, 08/17/04 + 1.09%, 08/18/04 + 1.13%, 09/08/04	18,100 56,250 26,500 28,400 19,750 24,000 20,000 31,250 7,800 19,750 89,000 17,125 21,250 40,000	18,100 56,250 26,500 28,400 19,750 24,000 20,000 31,250 7,800 19,750 89,000 17,125 21,250 40,000	■ Power Supply RB Series 2002C-10 1.09%, 07/07/04 ■ Power Supply RB Series 2002C-11 1.06%, 07/07/04 ■ Power Supply RB Series 2002C-13 1.07%, 07/07/04 ■ Power Supply RB Series 2002C-14 1.08%, 07/07/04 ■ Power Supply RB Series 2002C-17 1.06%, 07/07/04 California Economic Development Financing Auth ■ Airport Facilities RB (Mercury Air Group) Series 1998 1.08%, 07/07/04 ■ IDR B (Calco) Series 1997 1.30%, 07/07/04 ■ IDR B (Costa Macaroni Mfg) Series 1997 1.07%, 07/07/04 ■ IDR B (Gaiser Tool Company) Series 1997 1.07%, 07/07/04 ■ IDR B (Lion Raisins) Series 1998 1.08%, 07/07/04 California Educational Facilities Auth ■ RB (Chapman University) Series 2000 1.20%, 07/07/04 ■ RB (San Francisco Conservatory of Music) Series 2000 1.04%, 07/07/04 ■ RB (St. Marys College of California) Series 2001B 1.06%, 07/07/04 ■ RB (University of Judaism) Series 1998A 1.06%, 07/07/04 ■ RB (University of San Francisco) Series 1996 1.08%, 07/07/04	15,000 3,100 5,100 21,330 8,300 14,000 480 2,540 1,890 1,250 4,700 2,760 8,050 5,300 8,995	15,000 3,100 5,100 21,330 8,300 14,000 480 2,540 1,890 1,250 4,700 2,760 8,050 5,300 8,995
California Alternative Energy Source Financing Auth ■ Cogeneration Facility RB Series 1993A 1.08%, 07/07/04 ■ Cogeneration Facility RB Series 1993B 1.03%, 07/07/04 California Dept of Water Resources ■ 1996 Water Refunding RB (Big Bear Lake) 1.11%, 07/07/04 Power Supply RB Series 2002A ■ 1.10%, 07/07/04 ■ 1.11%, 07/07/04 ■ Power Supply RB Series 2002B-2 1.12%, 07/01/04 ■ Power Supply RB Series 2002B-3 1.08%, 07/01/04 ■ Power Supply RB Series 2002B-4 1.05%, 07/01/04 ■ Power Supply RB Series 2002C-7 1.08%, 07/07/04 ■ Power Supply RB Series 2002C-9 1.08%, 07/07/04	25,330 13,360 8,445 16,525 67,570 17,250 6,300 15,510 63,600 17,350	25,330 13,360 8,445 16,525 67,570 17,250 6,300 15,510 63,600 17,350			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
➤■ RB (University of San Francisco) Series 2000 1.06%, 07/07/04	19,600	19,600	➤■ Home Mortgage RB 2002 Series P 1.09%, 07/07/04	61,000	61,000
➤■ RB (University of San Francisco) Series 2003 1.06%, 07/07/04	36,900	36,900	➤■ Home Mortgage RB 2003 Series D 1.10%, 07/07/04	15,000	15,000
California Health Facilities Financing Auth			➤■ Home Mortgage RB 2003 Series H 1.10%, 07/07/04	19,865	19,865
➤■ Health Facility RB (Catholic Healthcare West) 2004 Series J 1.07%, 07/07/04	20,000	20,000	■ Home Mortgage RB 2003 Series K 1.15%, 08/01/04	73,500	73,500
➤■ Health Facility RB (Catholic Healthcare West) 2004 Series K 1.03%, 07/07/04	5,000	5,000	Home Mortgage RB 2003 Series M ■ 1.09%, 07/01/04	33,200	33,200
➤■ Insured Hospital RB (Scripps Memorial Hospital) Series 1985B 1.09%, 07/07/04	9,825	9,825	■ 1.08%, 07/07/04	34,580	34,580
➤■ Insured RB (Catholic Healthcare West) Series 1988A 1.09%, 07/07/04	4,200	4,200	➤■ Home Mortgage RB Series 1998J Bonds 1.15%, 09/02/04	3,115	3,115
➤■ Insured RB (Southern California Presbyterian Homes) Series 1998 1.06%, 07/07/04	29,200	29,200	■ M/F Housing RB III 2001 Series G 1.09%, 07/07/04	65,260	65,260
➤■ RB (Kaiser Permanente) Series 1998A 1.11%, 07/07/04	9,995	9,995	■ M/F Housing RB III 2002 Series A 1.08%, 07/07/04	26,160	26,160
California HFA			■ M/F Housing RB III Series 2002 E 1.08%, 07/07/04	45,185	45,185
➤■ Home Mortgage RB 2001 Series J 1.10%, 07/01/04	36,120	36,120	■ S/F Mortgage Bonds II, 1997 Series C-4 1.11%, 07/07/04	2,290	2,290
➤■ Home Mortgage RB 2001 Series N 1.09%, 07/01/04	12,920	12,920	■ S/F Mortgage RB Draw Down Series 2003B 1.17%, 07/07/04	4,580	4,580
➤■ Home Mortgage RB 2001 Series R 1.08%, 07/01/04	1,640	1,640	California Infrastructure & Economic Development Bank		
➤■ Home Mortgage RB 2002 Series B 1.17%, 07/01/04	4,000	4,000	➤■ IDRB (American-De Rosa Lamp Arts) Series 1999 1.12%, 07/07/04	4,950	4,950
➤■ Home Mortgage RB 2002 Series F 1.09%, 07/01/04	12,065	12,065	➤■ IDRB (Fairmont Sign Co) Series 2000A 1.23%, 07/07/04	4,250	4,250
➤■ Home Mortgage RB 2002 Series J 1.10%, 07/01/04	57,430	57,430	➤■ IDRB (Lafayette Textile Industries) Series 1999 1.12%, 07/07/04	1,170	1,170
			➤■ IDRB (Nelson Name Plate Co) Series 1999 1.13%, 07/07/04	3,150	3,150

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
➤■ IDRB (Roller Bearing Co) Series 1999 1.23%, 07/07/04 2,400 2,400 ➤■ Insured RB (Rand Corp) Series 2002B 1.04%, 07/01/04 5,800 5,800 ➤■ RB (California Independent System Operator Corp) Series A 1.06%, 07/07/04 11,100 11,100 RB (J. Paul Getty Trust) Series 2003A 1.17%, 02/01/05 50,000 50,000 RB (J. Paul Getty Trust) Series 2003C 1.17%, 02/01/05 14,000 14,000 RB (J. Paul Getty Trust) Series 2003D 1.17%, 07/07/04 14,000 14,000 ➤■ RB (SRI International) Series 2003A 1.06%, 07/07/04 4,000 4,000 California Pollution Control Finance Auth ➤■ Resource Recovery RB (Sanger) Series 1990A 1.14%, 07/07/04 19,200 19,200 ➤■ Resource Recovery RB (Wadham Energy) Series 1987B 1.04%, 07/07/04 3,100 3,100 ➤■ Solid Waste Disposal RB (Ag Resources III) Series 2004 1.14%, 07/07/04 2,790 2,790 ➤■ Solid Waste Disposal RB (Agrifab) Series 2003 1.14%, 07/07/04 2,900 2,900 ➤■ Solid Waste Disposal RB (Alameda County Industries) Series 2000A 1.14%, 07/07/04 3,760 3,760 ➤■ Solid Waste Disposal RB (Athens Disposal Co) Series 1999A 1.14%, 07/07/04 6,400 6,400 ➤■ Solid Waste Disposal RB (Athens Disposal Company) Series 1995A 1.14%, 07/07/04 11,435 11,435			➤■ Solid Waste Disposal RB (Athens Services) Series 2001A 1.14%, 07/07/04 4,100 4,100 ➤■ Solid Waste Disposal RB (Atlas Disposal Industries) Series 1999A 1.19%, 07/07/04 3,000 3,000 ➤■ Solid Waste Disposal RB (BLT Enterprises of Sacramento) Series 1999A 1.14%, 07/07/04 6,725 6,725 ➤■ Solid Waste Disposal RB (Blue Line Transfer) Series 1999A 1.14%, 07/07/04 4,500 4,500 ➤■ Solid Waste Disposal RB (Blue Line Transfer) Series 2001A 1.14%, 07/07/04 4,600 4,600 ➤■ Solid Waste Disposal RB (Browning-Ferris Industries of California) Series 1997A 1.05%, 07/07/04 24,500 24,500 ➤■ Solid Waste Disposal RB (Burrtec Waste Industries Inc.) Series 1998A 1.49%, 07/07/04 695 695 ➤■ Solid Waste Disposal RB (Burrtec Waste Industries) Series 1997B 1.49%, 07/07/04 3,430 3,430 ➤■ Solid Waste Disposal RB (CR&R Inc) Series 2002A 1.19%, 07/07/04 3,900 3,900 ➤■ Solid Waste Disposal RB (Cal-San) Series 1996B 1.14%, 07/07/04 2,550 2,550 ➤■ Solid Waste Disposal RB (California Waste Solutions) Series 2002A 1.14%, 07/07/04 3,760 3,760 ➤■ Solid Waste Disposal RB (Cheese & Protein International) Series 2001A 1.12%, 07/07/04 10,000 10,000 ➤■ Solid Waste Disposal RB (Cold Canyon Landfill) Series 1998A 1.14%, 07/07/04 5,845 5,845		

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
■ Solid Waste Disposal RB (Colmac Energy) Series 1990A 1.08%, 07/07/04	6,295	6,295	■ Solid Waste Disposal RB (Norcal Waste System) Series 2002A 1.14%, 07/07/04	6,000	6,000
■ Solid Waste Disposal RB (Contra Costa Waste Service) Series 1995A 1.14%, 07/07/04	2,300	2,300	■ Solid Waste Disposal RB (Norcal Waste Systems) Series 2003A 1.14%, 07/07/04	4,000	4,000
■ Solid Waste Disposal RB (EDCO Disposal Corp) Series 1996A 1.14%, 07/07/04	13,885	13,885	■ Solid Waste Disposal RB (Orange Ave Disposal Co.) Series 2002A 1.14%, 07/07/04	6,250	6,250
■ Solid Waste Disposal RB (EDCO Disposal Corp) Series 2004A 1.14%, 07/07/04	22,200	22,200	■ Solid Waste Disposal RB (Ratto Group of Companies) Series 2001A 1.14%, 07/07/04	4,340	4,340
■ Solid Waste Disposal RB (Escondido Disposal/Jemco Equipment Corp.) Series 1998A 1.49%, 07/07/04	7,845	7,845	■ Solid Waste Disposal RB (Sanco Services) Series 2002A 1.49%, 07/07/04	4,000	4,000
■ Solid Waste Disposal RB (Federal Disposal Service) Series 2001A 1.19%, 07/07/04	2,400	2,400	■ Solid Waste Disposal RB (Santa Clara Valley Disposal) Series 2001A 1.14%, 07/07/04	6,110	6,110
■ Solid Waste Disposal RB (Greenteam of San Jose) Series 2001A 1.14%, 07/07/04	10,900	10,900	■ Solid Waste Disposal RB (Santa Clara Valley Industries) Series 1998A 1.19%, 07/07/04	2,600	2,600
■ Solid Waste Disposal RB (Greenwaste of Tehama) Series 1999A 1.14%, 07/07/04	2,060	2,060	■ Solid Waste Disposal RB (Solag Disposal) Series 1997A 1.19%, 07/07/04	2,400	2,400
■ Solid Waste Disposal RB (Madera Disposal Systems Inc) Series 1998A 1.14%, 07/07/04	1,800	1,800	■ Solid Waste Disposal RB (Specialty Solid Waste & Recycling) Series 2001A 1.19%, 07/07/04	3,160	3,160
■ Solid Waste Disposal RB (Marborg Industries) Series 2000A 1.14%, 07/07/04	4,505	4,505	■ Solid Waste Disposal RB (Talco Plastics) Series 1997A 1.12%, 07/07/04	3,350	3,350
■ Solid Waste Disposal RB (Metropolitan Recycling Corp) Series 2000B 1.19%, 07/07/04	3,690	3,690	■ Solid Waste Disposal RB (Tri-CED Community Recycling) Series 1998A 1.12%, 07/07/04	1,585	1,585
■ Solid Waste Disposal RB (Mottra Corp) Series 2002A 1.14%, 07/07/04	2,105	2,105	■ Solid Waste Disposal RB (Valley Vista Services) Series 2003A 1.14%, 07/07/04	2,350	2,350
■ Solid Waste Disposal RB (Norcal Waste System) Series 2001 1.14%, 07/07/04	8,740	8,740	■ Solid Waste Disposal RB (West Valley MRF) Series 1997A 1.49%, 07/07/04	3,960	3,960

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
■ Solid Waste Disposal RB (Zanker Road Landfill) Series 1999C 1.19%, 07/07/04	6,265	6,265	■ M/F Housing RB (Bay Vista at Meadow Park Apts) Series 2003 NN-1 1.20%, 10/15/04	15,000	15,000
California Public Works Board ■ Lease RB (University of California) Series 1997C 1.10%, 07/07/04	10,900	10,900	■ M/F Housing RB (Creekside at Meadow Park Apts) Series 2002HH 1.11%, 07/07/04	15,000	15,000
■ Lease RB Series 1999A Series 1999F 1.09%, 07/07/04	9,985	9,985	■ M/F Housing RB (Cypress Villa Apts) Series 2000F 1.11%, 07/07/04	4,725	4,725
■ Refunding Lease RB (Dept of Corrections) Series 1993A 1.11%, 07/07/04	3,000	3,000	■ M/F Housing RB (Dublin Ranch Senior Apts) Series 2003OO 1.14%, 07/07/04	15,090	15,090
California School Cash Reserves Program Auth ▲ 2004 Pool Bonds Series A 1.60%, 07/06/05	192,330	194,978	■ M/F Housing RB (Emerald Gardens Apts) Series 2000E 1.11%, 07/07/04	7,320	7,320
California State University + TECP Series A 1.10%, 07/13/04	11,090	11,090	■ M/F Housing RB (Fairway Family Apts) Series 2003PP 1.14%, 07/07/04	30,000	30,000
California Statewide Communities Development Auth ■ COP (SVDP Management) Series 1998 1.00%, 07/07/04	5,685	5,685	■ M/F Housing RB (Kimberly Woods Apts) Series 1995B 1.09%, 07/07/04	13,400	13,400
■ COP (Sutter Health Related Group) 1.09%, 07/07/04	5,000	5,000	■ M/F Housing RB (Laurel Park Senior Apts) Series 2002H 1.10%, 07/07/04	5,500	5,500
■ IDRB (Biocol Investments) Series 1997B 1.42%, 07/07/04	1,500	1,500	■ M/F Housing RB (Los Padres Apts) Series 2003E 1.11%, 07/07/04	10,750	10,750
■ IDRB (Cowden Metal Stamping & Tooling) Series 1997A 1.42%, 07/07/04	1,290	1,290	■ M/F Housing RB (Marlin Cove Apts) Series 2000V 1.11%, 07/07/04	8,000	8,000
■ IDRB (Golden Valley Grape Juice & Wine) Series 1998 1.15%, 07/07/04	840	840	■ M/F Housing RB (Oakmont of Concord) Series 2002Q 1.14%, 07/07/04	25,000	25,000
■ IDRB (Integrated Rolling Co) Series 1999A 1.13%, 07/07/04	1,900	1,900	■ M/F Housing RB (Park David Senior Apts) Series 1999D 1.11%, 07/07/04	8,220	8,220
■ IDRB (RL Group) Series 1998C 1.15%, 07/07/04	1,600	1,600	■ M/F Housing RB (Plaza Club Apts) Series 1997A 1.09%, 07/07/04	10,290	10,290
■ M/F Housing RB (Agave at Elk Grove Apts) Series 2003DD 1.11%, 07/07/04	15,100	15,100	■ M/F Housing RB (Silvercrest Residence) Series 2003EEE 1.08%, 07/07/04	13,130	13,130
			■ M/F Housing RB (Valley Palms Apts) Series 2002C 1.11%, 07/07/04	12,000	12,000

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ ■ M/F Housing RB (Victoria Palm Villa Apts) Series 2003VV 1.16%, 07/07/04	34,000	34,000	■ RB (Kaiser Permanente) Series 2004M 1.15%, 07/07/04	13,000	13,000
+ ■ M/F Housing RB (Woodsong Apts) Series 1997B 1.11%, 07/07/04	3,227	3,227	+ ■ RB (Laurence School) Series 2003 1.10%, 07/07/04	4,000	4,000
+ ■ RB (Elder Care Alliance) Series 2000 1.06%, 07/07/04	12,760	12,760	+ ■ RB (Master's College) Series 2002 1.06%, 07/07/04	11,250	11,250
+ ■ RB (Gemological Institute) Series 2001 1.06%, 07/07/04	33,725	33,725	+ ■ RB (National Public Radio) Series 2002 1.05%, 07/07/04	7,600	7,600
+ ■ RB (Japanese American National Museum) Series 2000A 1.08%, 07/07/04	4,700	4,700	+ ■ RB (Painted Turtle) Series 2003 1.10%, 07/07/04	7,560	7,560
+ ■ RB (Jewish Federation Council of Greater Los Angeles) Series 2000A 0.97%, 07/07/04	5,500	5,500	+ ■ Refunding RB (13th & I Associates) Series 1991 1.42%, 07/07/04	4,165	4,165
■ RB (Kaiser Permanente) Series 2001A 1.25%, 01/04/05	24,000	24,000	+ ▲ TRANS Series 2004 A-1 1.59%, 06/30/05	48,000	48,664
■ RB (Kaiser Permanente) Series 2001B 1.00%, 07/07/04	31,500	31,500	▲ TRANS Series 2004A-2 1.59%, 06/30/05	18,000	18,249
■ RB (Kaiser Permanente) Series 2002B 1.15%, 07/07/04	17,000	17,000	▲ TRANS Series 2004A-3 1.59%, 06/30/05	65,500	66,407
■ RB (Kaiser Permanente) Series 2003A 1.15%, 07/07/04	3,000	3,000	Carlsbad + ■ M/F Housing Refunding RB (Santa Fe Ranch Apts) Series 1993A 1.60%, 07/07/04	14,400	14,400
■ RB (Kaiser Permanente) Series 2003B 1.15%, 07/07/04	8,400	8,400	Contra Costa Cnty + ■ M/F Mortgage RB (El Cerrito Royale) Series 1987A 1.08%, 07/07/04	2,480	2,480
RB (Kaiser Permanente) Series 2004E 1.08%, 07/07/04	53,000	53,000	Davis Community Facilities District 1992-2 + ■ Special Tax Bonds (East Davis Mace Ranch Area II) Series 2000 1.08%, 07/07/04	3,100	3,100
1.59%, 07/07/04 1.60%, 07/07/04	18,300	18,217	Diamond Bar Public Financing Auth + ■ Lease RB (Community Center) Series 2002A 1.15%, 07/07/04	9,755	9,755
RB (Kaiser Permanente) Series 2004K 1.04%, 07/20/04	15,000	15,000			
1.04%, 08/11/04 1.10%, 08/11/04	10,000	10,000			
■ RB (Kaiser Permanente) Series 2004L 1.15%, 07/07/04	4,000	4,000			
	7,800	7,800			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Dublin Housing Auth			Golden Empire Schools Financing Auth		
+■ M/F Housing RB (Park Sierra At Iron Horse Trail) Series 1998A 1.11%, 07/07/04	14,900	14,900	+■ Lease RB (Kern High SD) Series 2001 1.03%, 07/07/04	10,600	10,600
Dublin San Ramon Service District			Golden Gate Bridge, Highway & Transportation District		
+■ Sewer Revenue COP Series 2000 1.05%, 07/07/04	20,565	20,565	TECP Series A ▶ 0.95%, 07/06/04	7,800	7,800
East Bay Municipal Utility District			▶ 0.94%, 07/07/04	3,000	3,000
Water System TECP ▶ 1.10%, 07/08/04	21,900	21,900	Hayward		
▶ 1.03%, 07/20/04	6,000	6,000	+■ M/F Housing RB (Shorewood Apts) Series 1984A 1.12%, 07/07/04	12,100	12,100
▶ 1.07%, 08/04/04	7,800	7,800	Hayward Housing Auth		
▶ 1.09%, 08/12/04	13,000	13,000	+■ M/F Mortgage Refunding RB (Huntwood Terrace Apts) Series 1993A 1.09%, 07/07/04	5,365	5,365
Eastern Municipal Water District			Hercules Public Financing Auth		
+■ Water & Sewer Revenue COP Series 2003B 1.06%, 07/07/04	20,300	20,300	+■ Lease RB Series 2003A 1.10%, 07/07/04	7,000	7,000
El Cajon Redevelopment Agency			Hercules Redevelopment Agency		
+■ M/F Housing RB (Park-Mollison & Madison Apts) Series 1998 1.09%, 07/07/04	5,000	5,000	+■ IDR B (Pro Media) Series 2000A 1.20%, 07/07/04	2,500	2,500
El Camino Community College District			Hollister Redevelopmmt Agency		
+■ GO Bonds Series 2003A 1.11%, 07/14/04	16,100	16,100	+■ RB (San Benito Cnty Community Services Develop) Series 2004 1.04%, 07/07/04	6,250	6,250
Emeryville Redevelopment Agency			Huntington Beach		
+■ M/F Housing RB (Bay St Apts) Series 2002A 1.09%, 07/07/04	33,215	33,215	+■ M/F Housing RB (Five Points Seniors) Series 1991A 1.09%, 07/07/04	9,500	9,500
Fillmore Public Financing Auth			Huntington Park Redevelopment Agency		
+■ RB (Central City Redevelopment Area) Series 2003A 1.04%, 07/07/04	27,775	27,775	+■ M/F Housing RB (Casa Rita Apts) Series 1994A 1.09%, 07/07/04	3,900	3,900
Foothill-De Anza Community College District			Irvine		
■ GO Bonds Series A 1.09%, 07/07/04	9,980	9,980	+■ Assessment District # 00-18 Limited Obligation Improvement Bonds Series A 1.03%, 07/01/04	6,100	6,100
Fresno IDA					
+■ IDR B (Keiser Corp.) Series 1997 1.12%, 07/07/04	1,660	1,660			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ ■ Assessment District # 03-19 Limited Obligation Improvement Series A 1.03%, 07/01/04	3,300	3,300	Los Angeles + ■ GO Refunding Bonds Series 1998A 1.11%, 07/07/04	4,150	4,150
+ ■ Assessment District # 93-14 Limited Obligation Improvement Series 2000 1.06%, 07/01/04	1,200	1,200	+ ■ M/F Housing RB (Beverly Park Apts) Series 1988A 1.11%, 07/07/04	34,000	34,000
+ ■ Assessment District # 94-15 Limited Obligation Improvement Bonds Series 1994 1.03%, 07/01/04	2,200	2,200	+ ■ M/F Housing RB (Channel Gateway Apts) Issue 1989B 1.08%, 07/07/04	67,700	67,700
Irvine Ranch Water District + ■ Consolidated Series 1993 GO of Improvement Districts # 140, 240, 105, & 250 1.04%, 07/01/04	1,100	1,100	+ ■ M/F Housing RB (Fountain Park Phase II) Series 2000B 1.08%, 07/07/04	33,615	33,615
+ ■ Consolidated Series 1995 GO of Improvement Districts # 140, 240, 105, & 250 1.06%, 07/01/04	2,300	2,300	+ ■ M/F Housing RB (Fountain Park) Series 1999P 1.08%, 07/07/04	37,300	37,300
Irvine Unified SD + ■ Special Tax Bonds (South Irvine Communities) Series 2003 1.03%, 07/01/04	3,000	3,000	+ ■ M/F Housing RB (Studio Colony) Series 1985C 1.11%, 07/07/04	15,111	15,111
Kern Cnty + ■ COP Series 1986A 1.00%, 07/07/04	2,200	2,200	+ ■ M/F Housing RB Series 1985K 1.05%, 07/07/04	1,555	1,555
▲ TRANS 1.60%, 06/30/05	110,000	111,486	+ ■ M/F Housing Refunding RB (Tri-City) Series 2001I 1.08%, 07/07/04	3,400	3,400
Long Beach Harbor Facilities Corp + ■ Harbor RB Series 2002A 1.09%, 07/07/04	62,000	62,000	► Wastewater System TECP 0.94%, 08/11/04	34,000	34,000
► Harbor TECP Series A 1.12%, 08/04/04	1,500	1,500	► 1.03%, 10/14/04	36,875	36,875
► 1.20%, 08/04/04	27,250	27,250	Los Angeles Cnty + ■ COP (LA County Museum of Art) Series 1985A 1.06%, 07/07/04	1,100	1,100
Long Beach Housing Auth + ■ M/F Housing Refunding RB (Channel Point Apts) Series 1998A 1.07%, 07/07/04	7,000	7,000	+ ■ COP (LA County Museum of Art) Series 1985B 1.06%, 07/07/04	1,100	1,100
Long Beach Unified SD + ■ Capital Improvement Refinancing COP Series 2001 1.08%, 07/07/04	29,645	29,645	+ ■ Pension Obligation Refunding RB Series 1996A 1.04%, 07/07/04	15,095	15,095
			+ ■ Pension Obligation Refunding RB Series 1996C 1.04%, 07/07/04	31,025	31,025
			TRANS Series 2004A 1.58%, 06/30/05	17,500	17,744
			▲ 1.60%, 06/30/05	182,500	185,008

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Los Angeles Cnty Capital Asset Leasing Corp.			➔■• Power System RB Series 2001A		
Lease Revenue TECP			1.10%, 07/07/04	24,750	24,750
➕ 1.00%, 07/07/04	17,500	17,500	Power System RB Series 2001A-1		
➕ 1.10%, 07/09/04	6,000	6,000	➔■• 1.11%, 07/07/04	15,000	15,000
➕ 1.07%, 07/13/04	12,450	12,450	■• 1.12%, 07/07/04	7,120	7,120
➕ 1.07%, 07/14/04	14,500	14,500	■• Power System RB Series 2001B-3		
➕ 1.10%, 08/11/04	20,200	20,200	1.09%, 07/01/04	13,900	13,900
Los Angeles Cnty Housing Auth			➔■• Water System RB Series 2001A		
➔■ M/F Housing RB (Malibu Canyon Apts) Series 1985B			1.08%, 07/07/04	12,708	12,708
1.06%, 07/07/04	28,520	28,520	➔■• Water Works RB Series 1999		
Los Angeles Cnty Metropolitan Transportation Auth			1.09%, 07/07/04	22,090	22,090
➔■• Sales Tax RB Series 1997A			Los Angeles Harbor Department		
1.09%, 07/07/04	23,830	23,830	TECP Series B		
➔■ Sales Tax Refunding RB (Prop C)			▶ 1.13%, 07/08/04	24,323	24,323
Second Senior Bonds Series 1993A			▶ 1.08%, 08/16/04	11,259	11,259
1.06%, 07/07/04	9,500	9,500	▶ 1.05%, 10/12/04	27,320	27,320
Second Subordinate Sales Tax Revenue TECP Series A			Los Angeles Municipal Improvement Corp.		
➕ 1.02%, 07/07/04	10,054	10,054	➔ Lease Revenue TECP Series A-1		
➕ 1.00%, 07/08/04	25,267	25,267	1.15%, 10/06/04	14,293	14,293
➕ 1.10%, 08/11/04	14,764	14,764	Los Angeles Unified SD		
➔■• Senior Sales Tax RB Series 2001A			➔■• GO Bonds Series 1999C		
1.08%, 07/14/04	12,600	12,600	1.10%, 07/07/04	16,400	16,400
➔■• Senior Sales Tax Refunding RB Series 2001B			Los Angeles Wastewater System		
1.10%, 07/07/04	24,750	24,750	➔■• RB Series 1998A		
Los Angeles Community Redevelopment Agency			1.08%, 07/07/04	17,000	17,000
➔■ M/F Housing RB (Metropolitan Lofts Apts) Series 2002A			➔■• Refunding RB Series 2002A		
1.14%, 07/07/04	17,750	17,750	1.13%, 07/07/04	12,245	12,245
Los Angeles Convention & Exhibition Auth			➔■• Subordinate Refunding RB Series 2001A		
➔■• Lease Refunding RB Series 2003B-1			1.15%, 12/09/04	30,000	30,000
1.02%, 07/07/04	16,500	16,500	➔■• Subordinate Refunding RB Series 2001B		
➔■• Lease Refunding RB Series 2003F			1.15%, 12/09/04	24,600	24,600
1.01%, 07/07/04	8,895	8,895	➔■• Subordinate Refunding RB Series 2001C		
Los Angeles Dept. of Water & Power			1.15%, 12/09/04	24,065	24,065
■• Electric Plant RB Series 2000			➔■• Subordinate Refunding RB Series 2001D		
1.08%, 07/07/04	11,620	11,620	1.15%, 12/09/04	7,550	7,550

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
M-S-R Public Power Agency			Oakland Joint Powers Financing Auth		
➤■ Subordinate Lien RB (San Juan) Series 1997E 1.07%, 07/07/04	21,400	21,400	➤■ Lease RB Series 1998 A-2 1.05%, 07/07/04	12,590	12,590
Madera Cnty			Oceanside		
➤■ Lease RB (Madera Municipal Golf Course Refinancing) Series 1993 1.07%, 07/07/04	3,150	3,150	➤■ M/F Mortgage RB (Riverview Springs Apts) Series 1990A 1.09%, 07/07/04	12,270	12,270
Martinez			Orange Cnty		
➤■ M/F Housing Refunding RB (Muirwood Garden Apts) Series 2003A 1.05%, 07/07/04	6,800	6,800	➤■ Apartment Development RB Issue 1985U (Hon Development Corp) Series C 1.06%, 07/07/04	13,300	13,300
Modesto City SD			➤■ Apartment Development Refunding RB (Villas Aliento) Series 1998E 1.06%, 07/07/04	4,500	4,500
➤ GO Refunding Bonds Series 2003 0.95%, 08/01/04	2,115	2,119	➤■ Apartment Development Refunding RB (Vintage Woods) Series 1998H 1.07%, 07/07/04	10,000	10,000
Modesto High SD			➤■ Apartment Development Refunding RB (WLCO LF Partners) Series 1998G 1.07%, 07/07/04	14,100	14,100
➤ GO Refunding Bonds Series 2003 0.95%, 08/01/04	2,000	2,003	➤■ COP (Florence Crittenton Services) Series 1990 1.02%, 07/07/04	5,200	5,200
Mt. San Antonio Community College District			Orange Cnty Housing Auth		
➤■ GO Bonds 2001 Election Series 2004B 1.40%, 12/22/04	13,140	13,140	➤■ Apartment Development RB (Lantern Pines) Series 1985CC 1.05%, 07/07/04	14,700	14,700
Mt. San Jacinto Winter Park Auth			Orange Cnty Local Transp Auth		
➤■ COP (1998 Palm Springs Aerial Tramway) 1.08%, 07/07/04	7,600	7,600	Sales Tax Revenue TECP + 1.07%, 07/14/04	20,000	20,000
➤■ COP (Palm Springs Aerial Tramway) Series 2000B 1.08%, 07/07/04	2,900	2,900	+ 0.94%, 08/13/04	22,000	22,000
Northern California Power Agency			Orange Cnty Sanitation District		
➤■ Hydroelectric Project #1 Refunding RB Series 2003A 1.02%, 07/07/04	9,500	9,500	■ Refunding COP Series 2000B 1.04%, 07/01/04	8,000	8,000
Oakland			Orange Cnty Water District		
2003-2004 TRAN 0.93%, 07/29/04	160	160	■ Revenue COP Series 2003A 1.04%, 07/07/04	48,215	48,215
➤■ Insured RB (180 Harrison Foundation) Series 1999A 1.09%, 07/07/04	4,500	4,500	Oxnard Financing Auth		
			➤■ Lease RB Series 2003B 1.06%, 07/07/04	14,400	14,400

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Pacific Housing & Finance Agency			Redwood City		
+ Lease Revenue Pass-Through Obligations (Lease Purchase) 1999 Series A 1.10%, 12/01/04	4,995	5,068	+■ COP (City Hall) Series 1998 1.10%, 07/07/04	3,195	3,195
Palo Alto Unified SD			Riverside Cnty		
▶■ GO Bonds Series B Series 1997R 1.09%, 07/07/04	6,000	6,000	+■ COP Type One Series B 1.04%, 07/07/04	10,400	10,400
Pasadena			Riverside Cnty Housing Auth		
+■ COP (City Hall & Park Improvements) Series 2003 1.06%, 07/07/04	46,790	46,790	+■ M/F Housing RB (Briarwood Apts) Series 1985C 1.10%, 07/07/04	4,500	4,500
Peninsula Corridor Joint Powers Board			+■ M/F Housing RB (Victoria Springs Apts) Series 1989C 1.09%, 07/07/04	9,000	9,000
Grant Anticipation Notes 2003D 1.15%, 11/19/04	12,000	12,010	+■ M/F Housing Refunding RB (Tyler Springs Apts) Series 1999C 1.07%, 07/07/04	8,300	8,300
Petaluma Community Development Commission			Roseville Joint Union High SD		
+■ M/F Housing RB (Oakmont) Series 1996A 1.10%, 07/07/04	3,450	3,450	+▶■ COP Series 2003 1.10%, 07/07/04	6,300	6,300
Pinole Redevelopment Agency			Sacramento Cnty		
+■ M/F Housing RB (East Bluff Apts) Series 1998A 1.20%, 07/07/04	4,959	4,959	+■ COP (Administration Center & Courthouse) Series 1990 1.06%, 07/07/04	7,365	7,365
Pleasant Hill			+■ Special Facilities Airport RB (Cessna Aircraft Co) Series 1998 1.12%, 07/07/04	3,300	3,300
+■ M/F Mortgage RB (Brookside Apts) Series 1988A 1.00%, 07/07/04	4,400	4,400	▲ TRANS Series 2004A 1.65%, 07/11/05	35,000	35,477
Pleasanton			Sacramento Cnty Housing Auth		
+■ M/F Housing RB (Busch Senior Housing) Series 2003A 1.11%, 07/07/04	13,360	13,360	+■ M/F Housing RB (Carlton Plaza Senior Apts) Series 2003E 1.13%, 07/07/04	14,000	14,000
Pomona			+■ M/F Housing RB (Hidden Oaks Apts) Series 1999C 1.11%, 07/07/04	6,300	6,300
+■ COP (Mt. San Antonio Gardens Project) Series 2004 1.07%, 07/07/04	25,145	25,145	+■ M/F Housing Refunding RB (Chesapeake Commons Apts) Series 2001C 1.09%, 07/07/04	28,000	28,000
Port of Oakland			Sacramento Cnty Sanitation District		
+▶■ RB Series 2000K 1.14%, 07/07/04	23,415	23,415	▶■ RB Series 2000A Series 2000-366 1.08%, 07/07/04	12,445	12,445
Rancho California Water District Financing Auth					
+▶■ RB Series 2001B 1.00%, 07/07/04	13,300	13,300			

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
➤➤• RB Series 2000A Series PA-694R 1.11%, 07/07/04	6,090	6,090	San Francisco City & Cnty ➤➤ M/F Housing Refunding RB (City Heights Apts) Series 1997A 1.09%, 07/07/04	16,800	16,800
Sacramento Housing Auth ➤➤ M/F Housing RB (St. Anton Building Apts) Series 2003I 1.11%, 07/07/04	8,000	8,000	➤➤ M/F Housing Refunding RB (Post St Towers) Series 2000A 1.04%, 07/07/04	17,000	17,000
Sacramento Redevelopment Agency ➤➤ M/F Housing RB (18th & L Apts) Series 2002E 1.11%, 07/07/04	10,525	10,525	San Francisco City & Cnty Redevelopment Agency ➤➤ Community Facilities District #4 RB (Mission Bay North) Series 2002-North 1.07%, 07/07/04	16,440	16,440
Salinas Apartment Development ➤➤ M/F Housing RB (Mariner Villa Project) Series 1985B 1.06%, 07/07/04	2,825	2,825	➤➤ M/F Housing RB (3rd & Mission) Series 1999C 1.13%, 07/07/04	21,500	21,500
San Bernardino Cnty ➤➤ COP (Medical Center) Series 1998 1.02%, 07/07/04	20,500	20,500	➤➤ M/F Housing RB (Ocean Beach Apts) Series 2001B 1.12%, 07/07/04	7,235	7,235
San Diego Cnty & School Dist TRANS Series 2004A ▲ 1.58%, 07/25/05	15,000	15,263	➤➤ M/F Housing Refunding RB (Fillmore Center) Series 1992A2 1.07%, 07/07/04	3,750	3,750
▲ 1.59%, 07/25/05	102,600	104,386	San Gabriel Valley Council of Governments ➤ Grant Anticipation Notes (Alameda Corridor Transportation) 1.07%, 07/14/04	30,300	30,300
San Diego Housing Auth ➤➤ M/F Housing RB (La Cima Apts) Series 1985K 1.08%, 07/07/04	12,140	12,140	San Joaquin Cnty Transp Auth Sales Tax Revenue TECP ➤ 0.94%, 09/08/04	23,000	23,000
➤➤ M/F Mortgage Refunding RB (Creekside Villa Apts) Issue 1999B 1.09%, 07/07/04	6,000	6,000	➤ 0.94%, 09/09/04	29,700	29,700
San Diego Unified SD ➤➤➤ GO Bonds Series 2002D 1.23%, 08/18/04	12,280	12,280	San Jose ➤➤➤ GO Bonds Series 2002 (Libraries, Parks & Public Safety) 1.08%, 07/07/04	11,223	11,223
➤➤➤ GO Bonds Series 2003E 1.10%, 07/07/04	20,165	20,165	➤➤ M/F Housing RB (Almaden Family Apts) Series 2003D 1.11%, 07/07/04	5,000	5,000
▲ TRANS 1.59%, 07/25/05	75,000	76,109	➤➤ M/F Housing RB (Almaden Lake Village Apts) Series 1997A 1.09%, 07/07/04	15,900	15,900
San Francisco Airports Commission ➤➤➤ Second Series RB Series 18B 1.08%, 07/07/04	16,255	16,255			
➤➤➤ Second Series RB Series 24A 1.17%, 07/07/04	12,670	12,670			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ ■ M/F Housing RB (Betty Anne Gardens Apts), Series 2002A 1.09%, 07/07/04 + ■ M/F Housing RB (El Paseo Apts) Series 2002B 1.09%, 07/07/04 + ■ M/F Housing RB (Siena at Renaissance Square Apts) Series 1996A 1.11%, 07/07/04 San Jose Financing Auth + ■ Lease RB (Hayes Mansion Phase III) Series 2001D 1.00%, 07/07/04 San Jose Redevelopment Agency + ■ M/F Housing RB (101 San Fernando Apts) Series 1998A 1.08%, 07/07/04 + ■ RB (Merged Area Redevelopment) Series 1996B 1.03%, 07/07/04 + ■ Tax Allocation Bonds (Merged Area Redevelopment) Series 1993 1.11%, 07/07/04 San Marcos Redevelopment Agency + ■ M/F Housing RB (Grandon Village) Series 2002A 1.06%, 07/07/04 Sanger Public Finance Auth + ■ Refunding RB (Utility System) Series 2002A 1.04%, 07/07/04 Santa Barbara Cnty TRANS Series 2004A 1.56%, 07/26/05 Santa Clara + ■ Electric RB Series 1985C 1.06%, 07/07/04	7,610 5,000 21,500 10,800 38,000 6,000 15,095 13,500 10,000 17,375 15,000	7,610 5,000 21,500 10,800 38,000 6,000 15,095 13,500 10,000 17,638 15,000	Santa Clara Cnty + ■ M/F Housing Refunding RB (Briarwood Apts) Series 1996B 1.07%, 07/07/04 + ■ M/F Housing Refunding RB (Grove Garden Apts) Series 1997A 1.07%, 07/07/04 Santa Cruz Cnty 2003-2004 TRAN 1.11%, 07/01/04 ▲ TRANS Series 2004A 1.62%, 07/06/05 Santa Fe Springs IDA + ■ IDR (Tri-West) Series 1983 1.25%, 07/30/04 Santa Rosa Housing Auth + ■ M/F Housing RB (Apple Creek Apts) Series 1985E 1.04%, 07/07/04 + ■ M/F Housing RB (Quail Run Apts) Series 1997A 1.15%, 07/07/04 South Placer Wastewater Auth + ■ Wastewater RB Series B 1.05%, 07/07/04 South San Francisco + ■ M/F Housing RB Series 1987A (Magnolia Plaza Apts) 1.14%, 07/07/04 Southern California Home Financing Auth + ■ S/F Mortgage RB Draw Down Series 2002 1.17%, 07/07/04 + ■ S/F Mortgage RB Series 2004A 1.00%, 07/07/04 S/F Mortgage RB Series 2004B + ■ 1.15%, 07/07/04 + ■ 1.45%, 07/07/04 Southern California Metropolitan Water District + ■ Water RB Series 1997B 1.05%, 07/07/04	12,400 14,000 15,400 10,000 4,000 17,140 8,555 5,200 5,500 14,680 25,000 15,980 29,020 18,900	12,400 14,000 15,400 10,135 4,000 17,140 8,555 5,200 5,500 14,680 25,000 15,980 29,020 18,900

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
■ Water RB Series 1999A 1.09%, 07/07/04 ■ Water RB Series 2000 B-1 1.03%, 07/01/04 ■ Water RB Series 2000 B-2 1.00%, 07/07/04 ■ Water RB Series 2001 C-2 1.00%, 07/01/04 + ■ Water Refunding RB Series 1996A 1.06%, 07/07/04 ■ Water Refunding RB Series 2001 B-1 1.07%, 07/07/04 ■ Water Refunding RB Series 2002A 1.05%, 07/07/04 ■ Water Refunding RB Series 2003 C-2 1.07%, 07/07/04 ■ Water Refunding RB Series 2004 A-1 1.07%, 07/07/04 Southern California Public Power Auth + ■ Power Project Subordinate Refunding RB (Palo Verde) Series 1996B 1.04%, 07/07/04 + ■ Power Project Subordinate Refunding RB (Palo Verde) Series 1996C 1.04%, 07/07/04 + ■ Transmission Project Subordinate Refunding RB Series 1991 1.04%, 07/07/04 Stockton + ■ Arch Road East Community Facilities District No. 99-02 Special Tax Bonds Series 1999 1.08%, 07/07/04 Sunnyvale + ■ COP (Government Center Site Acquisition) Series 2001A 1.06%, 07/07/04	18,500 12,700 27,300 6,000 20,650 14,000 52,925 10,000 11,300 10,835 16,600 2,300 1,255 13,000	18,500 12,700 27,300 6,000 20,650 14,000 52,925 10,000 11,300 10,835 16,600 2,300 1,255 13,000	Temecula Valley USD + 2004 GO Refunding Bonds 0.95%, 08/01/04 Union City + ■ M/F Housing Refunding RB (Greenhaven Apts) Series 1997A 1.07%, 07/07/04 University of California + ■ General RB Series 2003A 1.11%, 07/07/04 General Revenue Bonds 2003 Series A + ■ 1.11%, 07/07/04 + ■ 1.25%, 07/07/04 ■ RB (Multiple Purpose) Series K 1.10%, 07/07/04 + ■ RB (Multiple Purpose) Series O 1.08%, 07/07/04 TECP Series A 0.97%, 07/14/04 0.95%, 08/11/04 Vallecitos Water District + ■ Water Revenue COP (Twin Oaks Reservoir) Series 1998 1.00%, 07/07/04 Ventura Cnty Trans ▲ TRANS 1.60%, 07/01/05 Vernon Electric System + ■ Electric System RB (Malburg Generating Station) Series 2003A 1.06%, 07/07/04 Victor Valley Community College District + ■ COP Series 1997 1.05%, 07/07/04 Vista IDA + ■ RB (Desalination System, Inc. Project) Series 1995 1.07%, 07/07/04 West Sacramento Community Facilities District #6 + ■ Special Tax Bonds Series 1997A 1.43%, 07/07/04	2,755 10,975 8,265 9,005 12,945 19,430 7,495 10,100 25,200 18,700 60,000 11,000 53,450 4,240 3,635	2,768 10,975 8,265 9,005 12,945 19,430 7,495 10,100 25,200 18,700 60,826 11,000 53,450 4,240 3,635

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Western Placer Unified SD			Puerto Rico HFC		
➤■ COP (School Facilities) Series 2003			➤■ M/F Mortgage RB Portfolio A Series I		
1.11%, 07/07/04	9,000	9,000	1.10%, 07/07/04	10,165	10,165
Westminister Redevelopment Agency			Puerto Rico Hwy & Transp Auth		
➤■ Commercial Redevelopment Project No. 1 Tax Allocation Refunding RB Series 1997			➤■ Grant Anticipation RB		
1.10%, 07/07/04	22,005	22,005	1.10%, 07/07/04	4,250	4,250
➤■ M/F Housing RB (Brookhurst Royale Senior Assisted Living) Series 2000A			➤■ Highway RB Series Y		
1.50%, 07/07/04	7,700	7,700	1.10%, 07/07/04	8,600	8,600
Westminster			➤■ Highway Refunding RB Series AA		
➤■ COP (Civic Center Refunding) Series 1998A			1.10%, 07/07/04	3,995	3,995
1.10%, 07/07/04	3,410	3,410	➤■ Transportation RB Series Y		
			1.07%, 07/07/04	5,600	5,600
		7,995,298	➤■ Transportation RB Series 2000B		
			1.08%, 07/07/04	4,960	4,960
			➤■ Transportation RB Series 2003		
			1.10%, 07/07/04	4,380	4,380
Puerto Rico 2.2%			Puerto Rico Infrastructure Financing Auth		
Government Development Bank of Puerto Rico			■ Special Obligation Bonds Series 2000A		
TECP Series 1997			1.10%, 07/07/04	20,000	20,000
1.10%, 08/02/04	13,000	13,000	➤■ Special Tax RB Series 1997A		
1.10%, 08/09/04	8,760	8,760	1.07%, 07/07/04	3,290	3,290
Puerto Rico			Puerto Rico Public Buildings Auth		
➤■ Public Improvement & Refunding Bonds Series 2001A			➤■ Government Facilities RB Series B		
1.13%, 07/07/04	835	835	1.09%, 07/07/04	9,995	9,995
➤■ Public Improvement & Refunding Bonds Series 2002A			➤■ Refunding RB Series L		
1.20%, 07/07/04	1,995	1,995	1.10%, 07/07/04	5,545	5,545
➤■ Public Improvement Bonds 2000					161,460
1.07%, 07/07/04	5,630	5,630			
➤■ Public Improvement Bonds Series 2001B			End of investments.		
1.09%, 07/07/04	7,295	7,295			
➤■ Public Improvement Refunding Bonds Series 2001A					
1.09%, 07/07/04	14,995	14,995			
Puerto Rico Electric Power Auth					
➤■ Power RB Series HH					
1.09%, 07/07/04	20,765	20,765			
➤■ Power RB Series II					
1.13%, 07/07/04	7,405	7,405			

Statement of

Assets and Liabilities

As of June 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$8,156,758
Cash	997
Receivables:	
Fund shares sold	10,490
Investments sold	45,370
Interest	14,176
Prepaid expenses	+ 33
Total assets	8,227,824

Liabilities

Payables:	
Fund shares redeemed	11,985
Investments bought	974,538
Dividends to shareholders	1,438
Investment adviser and administrator fees	43
Transfer agent and shareholder service fees	67
Accrued expenses	+ 275
Total liabilities	988,346

Net Assets

Total assets	8,227,824
Total liabilities	- 988,346
Net assets	\$7,239,478

Net Assets by Source

Capital received from investors	7,241,142
Net investment income not yet distributed	12
Net realized capital losses	(1,676)

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Sweep Shares	\$4,254,919		4,256,370		\$1.00
Value Advantage Shares	\$2,984,559		2,984,887		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$8,156,758. During the reporting period, the fund had \$706,488 in transactions with other Schwab Funds.

Federal Tax Data**Cost basis of portfolio** \$8,156,758**As of December 31, 2003:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2008	\$955
2011	+ 508
	\$1,463

Statement of

Operations

For January 1, 2004 through June 30, 2004; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$37,576****Net Realized Gains and Losses**Net realized losses on investments sold **(213)****Expenses**

Investment adviser and administrator fees 12,628

Transfer agent and shareholder service fees:

Sweep Shares 9,418

Value Advantage Shares 3,239

Trustees' fees 23

Custodian and portfolio accounting fees 285

Professional fees 22

Registration fees 41

Shareholder reports 84

Other expenses + 35

Total expenses 25,775

Expense reduction - 5,546

Net expenses 20,229**Increase in Net Assets from Operations****Total investment income 37,576****Net expenses - 20,229****Net investment income 17,347****Net realized losses + (213)****Increase in net assets from operations \$17,134**

Unless stated, all numbers x 1,000.

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets as follows:

Transfer Agent Services:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.25
Value Advantage Shares	0.05

Shareholder Services:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.20
Value Advantage Shares	0.17

These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

Includes \$4,918 from the investment adviser (CSIM) and \$628 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the operating expenses of this fund through April 30, 2005, as follows:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.65
Value Advantage Shares	0.45

This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.
Figures for the current period are unaudited.

Unless stated, all numbers x 1,000.

Operations

	1/1/04-6/30/04	1/1/03-12/31/03
Net investment income	\$17,347	\$39,181
Net realized losses	+ (213)	(322)
Increase in net assets from operations	17,134	38,859

Distributions Paid**Dividends from Net Investment Income**

Sweep Shares	8,450	18,595
Value Advantage Shares	+ 8,885	20,586
Total dividends from net investment income	17,335	39,181

Transactions in Fund Shares**Shares Sold**

Sweep Shares	8,261,908	13,539,485
Value Advantage Shares	+ 1,738,392	3,354,779
Total shares sold	10,000,300	16,894,264

Shares Reinvested

Sweep Shares	7,622	18,322
Value Advantage Shares	+ 7,310	19,098
Total shares reinvested	14,932	37,420

Shares Redeemed

Sweep Shares	(8,183,937)	(13,443,811)
Value Advantage Shares	+ (1,821,808)	(3,394,287)
Total shares redeemed	(10,005,745)	(16,838,098)

Net transactions in fund shares

9,487 **93,586**

Net Assets

Beginning of period	7,230,192	7,136,928
Total increase	+ 9,286	93,264
End of period	\$7,239,478	\$7,230,192

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents shares sold plus shares reinvested, minus shares redeemed.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Notes unaudited

Business Structure of the Fund

The fund discussed in this report is a series of The Charles Schwab Family of Funds, a no-load, open-end management investment company. The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the fund in this report and its trust.

The fund offers two share classes: Sweep Shares and Value Advantage Shares. Shares of each class represent interests in the same portfolio, but each class has different expenses and investment minimums.

Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

Fund Operations

Most of the fund's investments are described in sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the fund's business operations also are described here.

The fund declares dividends every day it is open for business. These dividends, which are equal to the fund's net investment income for that day, are paid out to shareholders once a month. The fund may make distributions from any net realized capital gains once a year.

The fund may buy securities on a delayed-delivery basis. In these transactions, the fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, the fund could end up paying more for the security than its market value at

the time of settlement. The fund has set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

The fund pays fees to affiliates of the investment adviser for various services. Through its trust, the fund has agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the fund that may limit the total expenses charged. The rates and limitations for these fees are described in the fund's Statement of Operations.

The fund may engage in certain transactions involving affiliates. The fund may make direct transactions with certain other Schwab Funds when practical. When one fund is seeking to sell a security that another is

The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The funds discussed in this report are highlighted.

The Charles Schwab Family of Funds

organized October 20, 1989

Schwab Money Market Fund
 Schwab Government Money Fund
 Schwab U.S. Treasury Money Fund
 Schwab Value Advantage Money Fund
 Schwab Municipal Money Fund
Schwab California Municipal Money Fund
 Schwab New York Municipal Money Fund
 Schwab New Jersey Municipal Money Fund
 Schwab Pennsylvania Municipal Money Fund
 Schwab Florida Municipal Money Fund
 Schwab Massachusetts Municipal Money Fund
 Schwab Retirement Advantage Money Fund
 Schwab Retirement Money Fund
 Schwab Government Cash Reserves

seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

Pursuant to an exemptive order issued by the SEC, the funds may enter into interfund borrowing and lending transactions within the Schwab Funds. All loans are for temporary or emergency purposes only. The interest rate charged on the loan is the average of the overnight repurchase agreement rate and the short-term bank loan rate. The interfund lending facility is subject to the oversight and periodic review of the Board of Trustees of the Schwab Funds.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such “interested persons” who may serve on a trust’s board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund’s Statement of Operations.

The fund may borrow money from banks and custodians. The fund may obtain temporary bank loans through the trust to use for meeting shareholder redemptions or for extraordinary or emergency purposes. The trust has custodian overdraft facilities and line of credit arrangements of \$150 million and \$100 million with PNC Bank, N.A. and Bank of America, N.A., respectively. The fund pays interest on the amounts it borrows at rates that are negotiated periodically.

The fund intends to meet federal income and excise tax requirements for regulated investment companies. Accordingly, the fund distributes substantially all of its net investment income and net realized capital gains (if any) to its respective shareholders each year. As long as the fund meets the tax requirements, it is not required to pay federal income tax.

Under the fund’s organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the fund. In addition, in the normal course of business the fund enters into contracts with its vendors and others that provide general indemnifications. The fund’s maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the fund. However, based on experience, the fund expects the risk of loss to be remote.

Accounting Policies

The following are the main policies the fund uses in preparing its financial statements.

The fund values its securities at amortized cost, which approximates market value.

Security transactions are recorded as of the date the order to buy or sell the security is executed.

Interest income is recorded as it accrues. If the fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security’s call date and price, rather than the maturity date and price.

Realized gains and losses from security transactions are based on the identified costs of the securities involved.

Expenses that are specific to the fund or a class are charged directly to the fund or class. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their average daily net assets.

For funds offering multiple share classes, all of the realized and unrealized gains or losses and net investment income, other than class specific expenses, are allocated daily to each class in proportion to its net assets.

The fund maintains its own account for purposes of holding assets and accounting, and is considered a separate entity for tax purposes. Within its account, the fund also keeps certain assets in segregated accounts, as may be required by securities law.

The accounting policies described above conform with accounting principles generally accepted in the United States of America. Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

Fund Trustees unaudited

A fund’s Board of Trustees is responsible for protecting the interests of that fund’s shareholders. The tables below give information about the people who serve as trustees and officers for the SchwabFunds®, including the funds covered in this report. Trustees remain in office until they resign, retire or are removed by shareholder vote.¹

Under the Investment Company Act of 1940, any officer, director, or employee of Schwab or CSIM is considered an “interested person,” meaning that he or she is considered to have a business interest in Schwab or CSIM. These individuals are listed as “interested trustees.” The “independent trustees” are individuals who, under the 1940 Act, are not considered to have a business interest in Schwab or CSIM.

Each of the SchwabFunds® (of which there were 49 as of 6/30/04) belongs to one of these trusts: The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust or Schwab Annuity Portfolios. Currently all these trusts have the same trustees and officers. The address for all trustees and officers is 101 Montgomery Street, San Francisco, CA 94104. You can find more information about the trustees and officers in the Statement of Additional Information, which is available free by calling 1-800-435-4000.

Individuals Who Are Interested Trustees and Officers of the Trust

Name and Birthdate	Trust Position(s); Trustee Since	Main Occupations and Other Directorships and Affiliations
Charles R. Schwab ² 7/29/37	Chair, Trustee: Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, Director, The Charles Schwab Corp., Charles Schwab & Co., Inc. Charles Schwab Investment Management, Inc., Charles Schwab Holdings (UK); CEO, Director, Charles Schwab Holdings, Inc.; Chair, CEO Schwab (SIS) Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, Siebel Systems (software), Xsign, Inc. (electronic payment systems); Trustee, Stanford University. <i>Until 5/04:</i> Director, The Gap, Inc. (clothing retailer). <i>Until 2003:</i> Co-CEO, The Charles Schwab Corp. <i>Until 2002:</i> Director, Audiobase, Inc. (Internet audio solutions). <i>Until 5/02:</i> Director, Vodaphone AirTouch PLC (telecommunications). <i>Until 7/01:</i> Director, The Charles Schwab Trust Co.; TrustMark, Inc.

¹ The SchwabFunds retirement policy requires that independent trustees elected after January 1, 2000 retire at age 72 or after twenty years of service as a trustee, whichever comes first. Independent trustees elected prior to January 1, 2000 will retire on the following schedule: Messrs. Holmes and Dorward will retire on December 31, 2007, and Messrs. Stephens and Wilsey will retire on December 31, 2010.

² In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Mr. Schwab also own stock of The Charles Schwab Corporation.

Individuals Who Are Interested Trustees but Not Officers of the Trust

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Dawn G. Lepore ¹ 3/21/54	2003 (all trusts).	Vice Chair, The Charles Schwab Corp.; <i>Until 10/01</i> : CIO, The Charles Schwab Corporation. <i>Until 1999</i> : EVP, The Charles Schwab Corporation. Director, Wal-Mart Stores, eBay, Inc.

Individuals Who Are Officers of the Trust but Not Trustees

Name and Birthdate	Trust Office(s) Held	Main Occupations and Other Directorships and Affiliations
Randall W. Merk 7/25/54	President, CEO (all trusts).	President, CEO, Charles Schwab Investment Management, Inc.; EVP, Charles Schwab & Co., Inc.; Director, Charles Schwab Worldwide Funds PLC, Charles Schwab Asset Management (Ireland) Ltd. <i>Until 9/02</i> : President, CIO, American Century Investment Management; Director, American Century Cos., Inc. <i>Until 6/01</i> : CIO, Fixed Income, American Century Cos., Inc. <i>Until 1997</i> : SVP, Director, Fixed Income and Quantitative Equity Portfolio Management, Twentieth Century Investors, Inc.
Tai-Chin Tung 3/7/51	Treasurer, Principal Financial Officer (all trusts).	SVP, CFO, Charles Schwab Investment Management, Inc.; SVP, The Charles Schwab Trust Co.; Director, Charles Schwab Asset Management (Ireland) Ltd., Charles Schwab Worldwide Funds PLC.
Stephen B. Ward 4/5/55	SVP, Chief Investment Officer (all trusts).	SVP, Chief Investment Officer, Director, Charles Schwab Investment Management, Inc.; CIO, The Charles Schwab Trust Co.
Koji E. Felton 3/13/61	Secretary (all trusts).	SVP, Chief Counsel, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. <i>Until 6/98</i> : Branch Chief in Enforcement, U.S. Securities and Exchange Commission, San Francisco.

¹ In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Mr. Schwab also own stock of The Charles Schwab Corporation.

Individuals Who Are Independent Trustees

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Mariann Byerwalter 8/13/60	2000 (all trusts).	Chair, JDN Corp. Advisory LLC; Trustee, Stanford University, America First Cos., (venture capital/fund management), Redwood Trust, Inc. (mortgage finance), Stanford Hospitals and Clinics, SRI International (research), PMI Group, Inc. (mortgage insurance), Lucile Packard Children's Hospital, Laudus Trust, Laudus Variable Insurance Trust. <i>2001</i> : Special Advisor to the President, Stanford University. <i>Until 2002</i> : Director, LookSmart, Ltd. (Internet infrastructure). <i>Until 2001</i> : VP, Business Affairs, CFO, Stanford University.
Donald F. Dorward 9/23/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	CEO, Dorward & Associates (corporate management, marketing and communications consulting). <i>Until 1999</i> : EVP, Managing Director, Grey Advertising.
William A. Hasler 11/22/41	2000 (all trusts).	Co-CEO, Aphton Corp. (bio-pharmaceuticals). Trustee, Solectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Corp. (network equipment); Public Governor, Laudus Trust, Laudus Variable Insurance Trust; Member, executive committee, Pacific Stock & Options Exchange. <i>Until 2003</i> : Trustee, Tenera, Inc. (services and software). <i>Until 1998</i> : Dean, Haas School of Business, University of California, Berkeley.
Robert G. Holmes 5/15/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Director, Semloh Financial, Inc. (international financial services and investment advice).
Gerald B. Smith 9/28/50	2000 (all trusts).	Chair, CEO, Founder, Smith Graham & Co. (investment advisors); Trustee, Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products, tools and hardware); Member, audit committee, Northern Border Partners, L.P. (energy). <i>Until 2002</i> : Director, Pennzoil-Quaker State Co. (oil and gas).
Donald R. Stephens 6/28/38	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Managing Partner, D.R. Stephens & Co. (investments). <i>Until 1996</i> : Chair, CEO, North American Trust (real estate investment trust).
Michael W. Wilsey 8/18/43	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Wilsey Bennett, Inc. (transportation, real estate and investments).

Glossary

agency discount notes Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

Alternative Minimum Tax (AMT) A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

asset-backed securities Bonds or other debt securities that represent ownership in a pool of debt obligations such as credit card debt.

bond A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed income securities” or “debt securities.”

An individual bond is subject to the credit risk of the issuer. Changes in interest rates can affect a bond's market value prior to call or maturity. There is no guarantee that a bond's yield to call or maturity will provide a positive return over the rate of inflation.

bond fund A bond fund is subject to the same credit, interest rate, and inflation risks as bonds. In addition, a bond fund incurs ongoing fees and expenses. A bond fund's net asset value will fluctuate with the price of the underlying bonds and the portfolio turnover activity; return of principal is not guaranteed.

bond anticipation notes Obligations sold by a municipality on an interim basis in anticipation of the municipality's issuance of a longer-term bond in the future.

capital gain, capital loss The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

commercial paper Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but

sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

credit-enhanced securities Securities that are backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security's value, are designed to help lower the risk of default on a security and may also make the security more liquid.

credit quality The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

credit ratings Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

credit risk The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

ACES	Adjustable convertible extendable security
BAN	Bond anticipation note
COP	Certificate of participation
GAN	Grant anticipation note
GO	General obligation
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Board
IDRB	Industrial Development Revenue Bond
M/F	Multi-family
RAN	Revenue anticipation note
RB	Revenue bond
S/F	Single-family
TAN	Tax anticipation note
TECP	Tax-exempt commercial paper
TRAN	Tax and revenue anticipation note
VRD	Variable-rate demand

dollar-weighted average maturity (DWAM) See weighted average maturity.

effective yield A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

expense ratio The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

face value The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

illiquid securities Securities are generally considered illiquid if they cannot be disposed of promptly (typically within seven days) and in the ordinary course of business at approximately the amount at which a fund has valued the instruments.

interest Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

liquidity-enhanced security A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

maturity The date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

money market securities High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

muni, municipal bonds, municipal securities Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

net asset value per share (NAV) The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

outstanding shares, shares outstanding When speaking of a company or mutual fund, indicates all shares currently held by investors.

restricted securities Securities that are subject to contractual restrictions on resale and may be sold only to "qualified institutional buyers" under Securities Act Rule 144A. These securities are often purchased in private placement transactions.

revenue anticipation notes Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

section 3c7 securities Section 3c7 of the Investment Company Act of 1940 (the "1940 Act") exempts certain issuers from many regulatory requirements applicable to investment companies under the 1940 Act. An issuer whose outstanding securities are exclusively owned by "qualified purchasers" and who is not making or proposing to make a public offering of the securities may qualify for this exemption.

section 4(2)/144A securities Securities exempt from registration under Section 4(2) of the Securities Act of 1933. These securities may be sold only to qualified institutional buyers under Securities Act Rule 144A.

taxable-equivalent yield The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ($4.5\% \div [1 - 0.25\%] = 6.0\%$).

total return The percentage that an investor would have earned or lost on an investment in the fund assuming dividends and distributions were reinvested.

tax anticipation notes Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

Tier 1, Tier 2 Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

weighted average maturity For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

yield The income paid out by an investment, expressed as a percentage of the investment's market value.

Notes

Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a clearly defined investment approach and using disciplined management strategies. The list at right shows all currently available SchwabFunds®.

Whether you're an experienced investor or just starting out, SchwabFunds® can help you achieve your financial goals. An investor should consider a fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information can be found in the fund's prospectus. Please call 1-800-435-4000 for a prospectus and brochure for any SchwabFund®. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

Methods for Placing Orders

The following information outlines how Schwab investors can place orders. If you are investing through a third-party investment provider, methods for placing orders may be different.

Internet¹

www.schwab.com

Schwab by Phone™²

Use our automated voice service or speak to a representative. Call **1-800-435-4000**, day or night (for TDD service, call **1-800-345-2550**).

TeleBroker®

Automated touch-tone phone service at **1-800-272-4922**.

Mail

Write to SchwabFunds® at:
P.O. Box 3812
Englewood, CO 80155-3812

When selling or exchanging shares, be sure to include the signatures of at least one of the persons whose name is on the account.

Proxy Voting Policies and Procedures

A description of the proxy voting policies and procedures used to determine how to vote proxies on behalf of the funds is available without charge, upon request, by visiting Schwab's web site at www.schwab.com/schwabfunds, the SEC's web site at <http://www.sec.gov>, or by contacting SchwabFunds at 1-800-435-4000.

The SchwabFunds Family®

Stock Funds

Schwab S&P 500 Fund
Schwab 1000 Fund®
Schwab Small-Cap Index Fund®
Schwab Total Stock Market Index Fund®
Schwab International Index Fund®
Schwab Core Equity Fund™
Schwab Dividend Equity Fund™
Schwab Small-Cap Equity Fund™
Schwab Hedged Equity Fund™
Schwab Focus Funds
 Communications Focus Fund
 Financial Services Focus Fund
 Health Care Focus Fund
 Technology Focus Fund
Schwab MarketMasters Funds®
 Schwab U.S. MarketMasters Fund™
 Schwab Small-Cap MarketMasters Fund™
 Schwab International MarketMasters Fund™
 Schwab Balanced MarketMasters Fund™

Asset Allocation Funds

Schwab MarketTrack Portfolios®
 Schwab MarketTrack All Equity Portfolio™
 Schwab MarketTrack Growth Portfolio™
 Schwab MarketTrack Balanced Portfolio™
 Schwab MarketTrack Conservative Portfolio™

Bond Funds

Schwab YieldPlus Fund®
Schwab Short-Term Bond Market Fund™
Schwab Total Bond Market Fund™
Schwab GNMA Fund™
Schwab Short/Intermediate Tax-Free Bond Fund™
Schwab Long-Term Tax-Free Bond Fund™
Schwab California Short/Intermediate Tax-Free Bond Fund™
Schwab California Long-Term Tax-Free Bond Fund™

Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.³ Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically, subject to availability, when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

¹ Shares of Sweep Investments™ may not be purchased directly over the Internet.

² Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

³ Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

Investment Adviser

Charles Schwab Investment Management, Inc.
101 Montgomery Street, San Francisco, CA 94104

Distributor

SchwabFunds®
P.O. Box 3812, Englewood, CO 80155-3812

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Schwab Retirement Advantage Money Fund[™]

(formerly Schwab Institutional Advantage Money Fund[®])

Schwab Retirement Money Fund[®]

Semiannual Report

June 30, 2004

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Schwab Retirement Advantage Money Fund

Ticker Symbol: **SWIXX**

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Ticker Symbol: **SWRXX**

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From the Chairman



Charles R. Schwab
Chairman

When I founded Schwab 30 years ago, our goal was to offer investors the highest quality brokerage services at the lowest possible price.

As the company evolved and our client base grew, we continued to offer products and services that were aligned with this vision. Whether it was on-line trading, a mutual fund supermarket, or specific funds that take advantage of new tax laws, we have a history of offering innovative products and services that are based on your investment needs.

Today, we continue to build on this heritage. More specifically, as we conceptualize, develop and analyze new products, we consistently question how our shareholders will benefit. We also research the ways in which the products are delivered, so we can continue to provide the products and services that will help you meet your financial goals. On the next page, Randy Merk, president of SchwabFunds®, elaborates on how some products may help to reduce your fund expenses.

On behalf of SchwabFunds®, I thank you for investing with us, and remind you that our commitment to our shareholders will never waver.

Sincerely,

A handwritten signature in black ink that reads "Charles R. Schwab". The signature is fluid and cursive, with the first name "Charles" being more prominent.

Management's Discussion

for the six months ended June 30, 2004



Randall W. Merk is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

To elaborate on Chuck Schwab's letter on the previous page, we not only listen to our shareholders' requests, we also try to anticipate your investing needs. Because we know that fees and expenses can reduce your mutual fund returns, we consistently look for ways that we can offer you a better value.

One way we can help you is by offering lower-priced share classes for some of the more popular SchwabFunds. Select Shares® and Value Advantage Shares™ are share classes that offer lower expense levels in exchange for higher investment minimums. I like to compare it to buying name-brand products in bulk from a warehouse-type store, rather than purchasing smaller quantities from the corner market. It's the same product but is less expensive when you can buy in bulk.

Our Value Advantage Shares, for example, are available for many of our money funds if you initially invest \$25,000 or more. The expense levels on these types of shares can be lower than what the Sweep Shares for the same fund carry.

This is why I encourage you to review your accounts to see if you are eligible to purchase these money-saving shares. If you would like to learn more about these potentially cost-saving shares, as well as which of our stock and bond funds offer Select Shares, our investment consultants are available to assist you.

Thank you for investing with us.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk". The signature is written in a cursive, flowing style.



Linda Klingman, a vice president of the investment adviser and senior portfolio manager, has overall responsibility for the management of the funds. She joined the firm in 1990 and has managed money market funds since 1988.

Mike Neitzke, a portfolio manager, has day-to-day responsibility for management of the funds. Prior to joining the firm in March 2001, he worked for more than 15 years in the financial industry as a portfolio manager.

The Investment Environment and the Funds

The encouraging economic climate that was reported in late 2003 continued to improve into 2004. Businesses added to their inventories, factory orders rose amid the pick-up in capital spending and production gained some strength. Retail sales continued to rise, despite a pause in the upward trend in consumer confidence. Mortgage refinancing activity, while still significant, waned as mortgage rates inched slightly upward. The only big piece missing was job growth, which remained sluggish through the beginning of first quarter.

Amid this benign inflationary environment, the Federal Reserve (the Fed) elected to hold the Fed funds rate at a 45-year low in March to provide liquidity necessary to maintain economic growth. Job growth picked up strongly in March and continued into the second quarter. With the economic recovery now broad-based, investors, who only a year ago feared deflation, now started to worry about inflation.

Inflationary concerns were based on surging oil prices, which hit a 13-year high amid tight supplies. And while commodity prices moderated somewhat during the report period, previous increases started to show up in broad measures of inflation. Labor costs also were beginning to rise.

Most market watchers expected the Fed to raise interest rates, and it did at the end of June. At that time the Federal Open Market Committee increased the Fed funds target 0.25% to 1.25%, the first rate hike since May 2000, when the Fed funds target was raised to 6.50%. In anticipation of higher rates, the money market yield curve in the second quarter was the steepest that it's been in 10 years.

In this rate environment, we increased the funds' holdings of variable-rate securities. The interest rates on these types of securities reset frequently, providing us the opportunity to capture a rise in market rates. We also shortened the weighted average maturity to position the funds for higher interest rates, a strategy that was fairly common among our peers.

Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/04

Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yield includes the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate.

	Retirement Advantage Money Fund	Retirement Money Fund
Seven-Day Yield	0.74% ¹	0.56%
Seven-Day Yield–No Waiver	0.60% ²	n/a
Seven-Day Effective Yield	0.74% ¹	0.56%

The performance data quoted represents past performance. Past performance does not guarantee future results. Current performance may be lower or higher than performance data quoted. To obtain more current performance information, please visit www.schwab.com.

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

	Retirement Advantage Money Fund	Retirement Money Fund
Weighted Average Maturity	49 days	49 days
Credit Quality of Holdings % of portfolio	100% Tier 1	100% Tier 1

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

Portfolio holdings may have changed since the report date.

¹ Fund expenses have been partially absorbed by CSIM and Schwab.

² Yield if fund expenses had not been partially absorbed by CSIM and Schwab.

Schwab Retirement Advantage Money Fund™

Financial Statements

Financial Highlights

	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.01	0.04	0.06	0.05
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.01)	(0.04)	(0.06)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.32 ²	0.74	1.48	3.96	6.12	4.90
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.50 ³	0.50	0.50	0.50	0.51 ⁴	0.50
Gross operating expenses	0.63 ³	0.63	0.63	0.66	0.69	0.71
Net investment income	0.64 ³	0.75	1.46	3.83	5.96	4.84
Net assets, end of period (\$ x 1,000,000)	725	766	907	797	647	604

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratio of net operating expenses would have been 0.50% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of June 30, 2004; unaudited

This section shows all the securities in the fund's portfolio and their value, as of the report date.

We use the symbols below to designate certain characteristics:

- ◆ Asset-backed security
- ✦ Credit-enhanced security
- Illiquid restricted security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category		Cost (\$x1,000)	Value (\$x1,000)
75.6%	Fixed-Rate Obligations	548,044	548,044
1.7%	U.S. Government Securities	12,000	12,000
13.7%	Variable-Rate Obligations	99,455	99,455
9.4%	Other Investments	68,348	68,348
100.4%	Total Investments	727,847	727,847
(0.4)%	Other Assets and Liabilities		(3,045)
100.0%	Total Net Assets		724,802

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Fixed-Rate Obligations 75.6% of net assets**Commercial Paper & Other Corporate Obligations** 42.2%**AB Spintab**

1.06%, 07/02/04	2,000	2,000
1.11%, 07/20/04	3,000	2,998

Alliance & Leicester, PLC, Section 4(2) / 144A

1.09%, 07/22/04	2,000	1,999
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◆ Amstel Funding Corp., Section 4(2) / 144A

1.08%, 07/15/04	1,000	1,000
1.10%, 07/15/04	1,000	1,000

◆+ ASAP Funding, Ltd., Section 4(2) / 144A

1.38%, 08/24/04	1,000	998
1.54%, 09/21/04	3,000	2,990

◆+ Atlantic Asset Securitization Corp., Section 4(2) / 144A

1.50%, 09/20/04	3,000	2,990
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◆ Atlantis One Funding Corp., Section 4(2) / 144A

1.14%, 08/11/04	5,000	4,994
1.08%, 09/20/04	1,791	1,787

Bank of America Corp.

1.06%, 07/07/04	10,000	9,998
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Bank of Ireland, Section 4(2) / 144A

1.36%, 09/08/04	1,800	1,795
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Bear Stearns Companies, Inc.

1.04%, 07/09/04	7,000	6,998
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◆+ Beta Finance, Inc., Section 3c7 / 144A

1.10%, 07/20/04	1,000	999
1.15%, 07/28/04	1,560	1,559
1.50%, 09/20/04	1,000	997

+ CBA (Delaware) Finance, Inc.

1.06%, 07/02/04	2,600	2,600
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◆ CC (USA), Inc., Section 3c7 / 144A

1.24%, 08/09/04	1,000	1,000
1.27%, 09/01/04	3,000	2,993
1.54%, 09/27/04	1,000	996

+ CDC Commercial Paper Corp., Section 4(2) / 144A

1.52%, 09/22/04	1,900	1,893
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Citicorp

1.15%, 07/14/04	5,000	4,998
1.34%, 08/03/04	3,000	2,996

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Citigroup Global Markets Holdings, Inc.			General Electric Capital Services		
1.04%, 07/09/04	5,000	4,999	1.13%, 07/15/04	4,000	3,998
1.09%, 07/16/04	2,000	1,999	1.22%, 08/06/04	2,000	1,998
◆◆ Concord Minutemen Capital Co., Section 3c7 / 144A			◆ Giro Funding U.S. Corp., Section 4(2) / 144A		
Series A			1.07%, 07/08/04	3,000	2,999
1.08%, 07/07/04	1,000	1,000	1.25%, 08/06/04	4,000	3,995
1.11%, 08/10/04	2,000	1,998	◆◆ Greyhawk Funding, L.L.C., Section 4(2) / 144A		
1.22%, 08/16/04	1,000	998	1.10%, 07/16/04	5,000	4,998
1.20%, 08/17/04	3,236	3,231	1.51%, 09/21/04	1,000	997
Class C Note			◆ HBOS Treasury Services, PLC		
1.28%, 07/16/04	4,000	3,998	1.11%, 07/23/04	1,450	1,449
◆◆ Crown Point Capital Co., L.L.C., Section 4(2) / 144A			1.14%, 07/26/04	1,200	1,199
1.07%, 07/16/04	1,000	1,000	HSH Nordbank, AG Section 4(2) / 144A		
1.28%, 08/17/04	5,000	4,992	1.10%, 07/19/04	1,000	999
1.36%, 09/02/04	3,000	2,993	◆ ING (U.S.) Funding, L.L.C.		
◆ Dakota CP Notes of Citibank Credit Card Issuance Trust, Section 4(2) / 144A			1.11%, 09/01/04	6,000	5,989
1.09%, 07/09/04	2,000	2,000	Irish Life & Permanent, PLC, Section 4(2) / 144A		
1.10%, 07/13/04	3,000	2,999	1.05%, 07/07/04	1,000	1,000
1.11%, 07/15/04	1,000	1,000	1.14%, 07/15/04	1,000	1,000
1.24%, 08/09/04	5,000	4,993	◆◆ Jupiter Securitization Corp., Section 4(2) / 144A		
DnB NOR Bank ASA			1.06%, 07/01/04	1,000	1,000
1.04%, 07/08/04	5,000	4,999	◆◆ Lexington Parker Capital Co., L.L.C., Section 4(2) / 144A		
◆◆ Edison Asset Securitization Corp., L.L.C., Section 4(2) / 144A			1.11%, 07/07/04	2,000	2,000
1.05%, 07/06/04	3,000	3,000	1.13%, 07/26/04	1,000	999
1.04%, 07/08/04	5,000	4,999	1.30%, 08/16/04	1,500	1,497
1.13%, 07/22/04	7,000	6,995	1.50%, 11/09/04	3,000	2,984
◆◆ Eiffel Funding, L.L.C., Section 4(2) / 144A			◆◆ Links Finance, L.L.C., Section 3c7 / 144A		
1.07%, 07/14/04	4,000	3,998	1.20%, 07/27/04	1,000	999
◆◆ Fairway Finance Co., L.L.C., Section 4(2) / 144A			◆ Mane Funding Corp., Section 4(2) / 144A		
1.13%, 07/21/04	1,000	999	1.09%, 07/12/04	4,000	3,999
1.09%, 09/22/04	1,000	998	◆◆ Mont Blanc Capital Corp., Section 4(2) / 144A		
1.54%, 09/23/04	3,000	2,989	1.10%, 07/14/04	3,000	2,999
1.90%, 12/30/04	2,100	2,080	1.22%, 08/19/04	1,000	998
◆◆ Falcon Asset Securitization Corp., Section 4(2) / 144A			Morgan Stanley		
1.32%, 07/30/04	4,000	3,996	1.14%, 07/06/04	5,000	4,999
◆ Galaxy Funding, Inc., Section 4(2) / 144A			Nationwide Building Society		
1.25%, 07/27/04	8,000	7,993	1.09%, 07/15/04	3,000	2,999
General Electric Capital Corp.			◆ NBNZ International Ltd.		
1.05%, 07/21/04	8,000	7,995	1.11%, 07/23/04	4,773	4,770
1.04%, 07/22/04	1,000	999	◆ Newcastle Certificates Program, Section 4(2) / 144A		
1.33%, 09/09/04	3,000	2,992	Series 2000A		
1.56%, 10/01/04	8,000	7,968	1.10%, 07/13/04	1,000	1,000
			1.10%, 07/16/04	1,000	1,000

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.34%, 08/16/04	1,000	998			
1.53%, 09/24/04	2,000	1,993			
♦ Nieuw Amsterdam Receivables Corp., Section 4(2) / 144A			Certificates of Deposit 30.9%		
1.07%, 07/02/04	2,000	2,000	♦ Abbey National Treasury Services, PLC		
1.23%, 08/24/04	1,000	998	1.33%, 09/10/04	4,000	4,000
♦ Nordea North America, Inc.			Alliance & Leicester, PLC		
1.38%, 08/27/04	5,000	4,989	1.09%, 08/24/04	3,000	3,000
♦♦ Old Line Funding, L.L.C., Section 4(2) / 144A			Banco Bilbao Vizcaya Argentaria S.A.		
1.14%, 07/12/04	5,000	4,998	1.10%, 07/20/04	5,000	5,000
1.14%, 07/16/04	3,793	3,791	Banco Santander Central Hispano S.A.		
♦ Park Granada, L.L.C., Section 4(2) / 144A			1.53%, 09/28/04	3,000	3,000
1.07%, 08/12/04	7,000	6,991	Barclays Bank, PLC		
♦♦ Preferred Receivables Funding Corp., Section 4(2) / 144A			1.18%, 08/13/04	5,000	5,000
1.28%, 08/11/04	6,000	5,991	1.25%, 08/13/04	5,000	4,999
Royal Bank of Scotland, PLC			Bayerische Landesbank Girozentrale		
1.07%, 07/06/04	1,000	1,000	1.71%, 05/23/05	1,000	1,000
♦ Santander Central Hispano Finance (Delaware), Inc.			BNP Paribas		
1.11%, 07/23/04	4,000	3,997	1.10%, 07/23/04	6,000	6,000
♦♦ Scaldis Capital Ltd., Section 4(2) / 144A			1.05%, 08/03/04	5,000	5,000
1.20%, 08/16/04	3,000	2,995	1.50%, 11/19/04	5,000	5,000
1.22%, 08/20/04	2,112	2,108	1.50%, 05/06/05	1,000	1,000
1.40%, 08/24/04	1,218	1,215	Calyon		
1.34%, 09/03/04	1,687	1,683	1.14%, 09/13/04	1,000	1,000
1.51%, 09/13/04	5,096	5,080	Canadian Imperial Bank of Commerce		
♦♦ Sigma Finance, Inc., Section 3c7 / 144A			1.22%, 08/06/04	5,000	5,000
1.05%, 07/26/04	5,000	4,996	Citibank, N.A.		
1.54%, 09/27/04	1,000	996	1.22%, 08/23/04	5,000	5,000
♦♦ Thunder Bay Funding, L.L.C., Section 4(2) / 144A			1.23%, 08/25/04	14,000	14,000
1.50%, 09/20/04	4,000	3,987	1.29%, 09/07/04	6,000	6,000
Toronto Dominion Holdings			Credit Suisse First Boston		
1.28%, 08/16/04	2,000	1,997	1.04%, 07/02/04	6,000	6,000
♦ UBS, Finance (Delaware), Inc.			1.06%, 08/04/04	2,000	2,000
1.10%, 07/21/04	1,000	999	DePfa Bank, PLC		
♦ Westpac Capital Corp.			1.13%, 09/07/04	3,000	3,000
1.04%, 07/12/04	1,000	1,000	Deutsche Bank, AG		
1.10%, 07/12/04	3,300	3,299	1.40%, 09/03/04	7,000	7,000
♦ White Pine Finance, L.L.C., Section 3c7 / 144A			1.41%, 10/15/04	5,000	5,000
1.23%, 08/23/04	1,314	1,312	1.42%, 10/27/04	5,000	5,000
1.27%, 09/01/04	3,000	2,993	1.60%, 05/20/05	3,000	3,000
♦♦ Yorktown Capital, L.L.C., Section 4(2) / 144A			Dexia Bank Belgium		
1.07%, 07/01/04	7,000	7,000	1.50%, 05/04/05	3,000	3,000
		306,048	DnB NOR Bank ASA		
			1.10%, 08/17/04	2,000	2,000
			First Tennessee Bank, N.A.		
			1.34%, 08/20/04	3,000	3,000

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
ForeningsSparbanken AB (Swedbank)			Unicredito Italiano SpA		
1.22%, 08/04/04	2,000	2,000	1.10%, 07/23/04	1,000	1,000
+ HBOS Treasury Services, PLC			1.10%, 07/29/04	6,000	6,000
1.10%, 07/23/04	2,000	2,000	1.28%, 09/03/04	4,000	4,000
1.42%, 08/31/04	3,000	2,999	1.54%, 09/28/04	1,000	1,000
1.50%, 09/24/04	3,000	3,000	1.55%, 09/30/04	1,000	1,000
HSH Nordbank, AG			Washington Mutual Bank, FA		
2.12%, 06/15/05	3,000	2,999	1.10%, 07/14/04	1,000	1,000
ING Bank, NV			Wells Fargo Bank, N.A.		
1.07%, 07/01/04	1,000	1,000	1.10%, 07/08/04	4,000	4,000
KBC Bank, NV			1.10%, 07/09/04	3,000	3,000
1.33%, 09/15/04	4,000	4,000	1.18%, 07/28/04	4,000	4,000
Landesbank Baden-Wurtemberg			Wilmington Trust Co.		
1.04%, 07/19/04	2,000	2,000	1.13%, 07/07/04	5,000	5,000
Landesbank Hessen-Thuringen Girozentrale					223,996
1.41%, 09/07/04	5,000	5,000	Promissory Notes 1.7%		
Lloyds TSB Bank, PLC			• The Goldman Sachs Group, Inc.		
1.50%, 09/27/04	5,000	5,000	1.25%, 07/06/04	8,000	8,000
Nationwide Building Society			1.45%, 08/27/04	3,000	3,000
1.50%, 09/24/04	1,000	1,000	1.24%, 12/17/04	1,000	1,000
Norddeutsche Landesbank Girozentrale					12,000
1.38%, 09/03/04	2,000	2,000	Bank Notes 0.8%		
1.50%, 05/06/05	1,000	1,000	Bank of America, N.A.		
1.51%, 05/13/05	1,000	1,000	1.04%, 07/20/04	2,000	2,000
1.60%, 05/20/05	2,000	2,000	Standard Federal Bank, N.A.		
Nordea Bank Finland, PLC			1.09%, 08/19/04	4,000	4,000
1.04%, 07/26/04	5,000	5,000			6,000
Rabobank Nederland			U.S. Government Securities 1.7% of net assets		
1.37%, 08/26/04	2,000	2,000	Coupon Notes 1.7%		
Royal Bank of Scotland, PLC			Fannie Mae		
1.75%, 05/27/05	3,000	3,000	1.43%, 02/09/05	3,000	3,000
2.17%, 07/01/05	3,000	2,999	1.35%, 04/28/05	3,000	3,000
San Paolo IMI SpA			1.50%, 05/09/05	3,000	3,000
1.11%, 09/08/04	5,000	5,000	1.61%, 05/13/05	3,000	3,000
Societe Generale					12,000
1.38%, 09/14/04	7,000	7,000			
1.09%, 10/05/04	5,000	5,000			
Svenska Handelsbanken AB					
1.10%, 07/20/04	2,000	2,000			
UBS, AG					
1.32%, 08/04/04	2,000	2,000			
1.38%, 08/26/04	10,000	10,000			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Variable-Rate Obligations 13.7% of net assets					
Barclays Bank, PLC			Royal Bank of Canada		
1.16%, 07/15/04	5,000	4,998	1.02%, 07/06/04	5,000	4,999
Bayerische Landesbank Girozentrale			Royal Bank of Scotland, PLC		
1.16%, 07/13/04	3,000	3,000	1.14%, 07/14/04	5,000	5,000
1.28%, 07/29/04	4,000	4,000	♦♦ Sigma Finance, Inc., Section 3c7 / 144A		
+ BMC Special Care Facilities Financing Authority of the City of Montgomery, Alabama			1.05%, 07/15/04	1,000	1,000
Taxable RB (Montgomery Baptist Outreach Services Corp. Project) Series 1997A			1.23%, 07/15/04	3,000	2,999
1.35%, 07/07/04	8,200	8,200	1.23%, 07/20/04	5,000	4,999
Taxable RB (Montgomery Baptist Outreach Services Corp. Project) Series 1997B			1.05%, 07/26/04	3,000	3,000
1.35%, 07/07/04	2,105	2,105	UBS, AG		
BNP Paribas			1.18%, 07/19/04	5,000	4,998
1.20%, 07/22/04	7,000	6,997			99,455
+ City of New Britain, Connecticut					
GO Series 2000C					
1.40%, 07/07/04	4,200	4,200			
Fannie Mae					
0.98%, 07/06/04	3,000	2,997			
1.21%, 07/29/04	10,000	9,994			
Federal Home Loan Bank					
1.05%, 07/06/04	2,000	1,999			
Landesbank Baden-Wurtemberg					
1.05%, 09/07/04	3,000	3,000			
+ Loanstar Assets Partners II, L.P.					
1.16%, 07/07/04	5,000	5,000			
+ Martinez, California					
M/F Housing Revenue Refunding Bond (Muirwood Garden Apartments) Series 2003A-T					
1.34%, 07/07/04	2,800	2,800			
Merrill Lynch & Co, Inc.					
1.05%, 07/01/04	5,000	5,000			
+ New York City IDA					
Taxable Industrial Revenue Refunding Bond (Allway Tools, Inc. Project) Series 1997					
1.45%, 07/07/04	170	170			
+ Palm Springs, California					
COP (Downtown Parking Project) Series 2002A					
1.22%, 07/07/04	8,000	8,000			

Security Maturity Amount
(\$ x 1,000)

Other Investments 9.4% of net assets**Repurchase Agreements** 9.4%**Credit Suisse First Boston L.L.C.**

Tri-Party Repurchase Agreement
Collateralized by U.S. Government
Securities with a value of \$64,616
1.50%, issued 06/30/04 due
07/01/04 63,351 63,348

UBS Financial Services, Inc.

Tri-Party Repurchase Agreement
Collateralized by U.S. Government
Securities with a value of \$5,105
1.04%, issued 03/16/04 due
07/07/04 5,016 5,000

68,348

End of investments.

Issuer		Cost/
Rate, Acquisition Date,	Face Amount	Value
Maturity Date	(\$ x 1,000)	(\$ x 1,000)

At June 30, 2004, portfolio holdings included illiquid restricted securities as follows:

The Goldman Sachs Group, Inc.		
1.25%, 01/05/04, 07/06/04	8,000	8,000
1.45%, 12/02/03, 08/27/04	3,000	3,000
1.24%, 03/23/04, 12/17/04	1,000	1,000
		<hr/>
		12,000

Statement of

Assets and Liabilities

As of June 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$727,847
Receivables:	
Fund shares sold	2,726
Interest	1,153
Prepaid expenses	+ 28
Total assets	731,754

Liabilities

Payables:	
Fund shares redeemed	6,681
Dividends to shareholders	213
Investment adviser and administrator fees	5
Transfer agent and shareholder service fees	4
Accrued expenses	+ 49
Total liabilities	6,952

Net Assets

Total assets	731,754
Total liabilities	- 6,952
Net assets	\$724,802

Net Assets by Source

Capital received from investors	724,803
Net realized capital losses	(1)

Net Asset Value (NAV)

Net Assets	÷	Shares Outstanding	=	NAV
\$724,802		724,860		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost of the fund's securities was \$727,847. Includes illiquid restricted securities worth \$12,000, or 1.66% of the fund's total net assets. Also, includes other restricted but deemed liquid securities comprised of 144A, section 4(2) and 3c7 securities, worth \$208,825 or 28.81% of the fund's total net assets.

Federal Tax Data

Cost basis of portfolio \$727,847

As of December 31, 2003:

Unused capital losses:

Expires 12/31 of: Loss amount:
2004 \$1

Statement of

Operations

For January 1, 2004 through June 30, 2004; unaudited. All numbers x 1,000.

Investment Income

Interest	\$4,066
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Expenses

Investment adviser and administrator fees	1,364
Transfer agent and shareholder service fees	790
Trustees' fees	14
Custodian and portfolio accounting fees	43
Professional fees	12
Registration fees	25
Shareholder reports	2
Other expenses	+
	7
Total expenses	2,257
Expense reduction	-
	475
Net expenses	1,782

Increase in Net Assets from Operations

Total investment income	4,066
Net expenses	-
	1,782
Net investment income	2,284
Increase in net assets from operations	\$2,284

Unless stated, all numbers x 1,000.

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.05% of the fund's assets; for shareholder services, 0.17% of the fund's assets. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the operating expenses of this fund through April 30, 2005, to 0.49% of average daily net assets. Prior to April 29, 2004, this limit was 0.50%. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.
Figures for the current period are unaudited.

Operations

	1/1/04-6/30/04	1/1/03-12/31/03
Net investment income	\$2,284	\$6,574
Increase in net assets from operations	2,284	6,574

Distributions Paid

Dividends from net investment income	2,284	6,574
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Transactions in Fund Shares

Shares sold	322,363	638,868
Shares reinvested	2,016	6,495
Shares redeemed	+ (365,607)	(786,194)
Net transactions in fund shares	(41,228)	(140,831)

Net Assets

Beginning of period	766,030	906,861
Total decrease	+ (41,228)	(140,831)
End of period	\$724,802	\$766,030

Unless stated, all numbers x 1,000.

The tax-basis components of distributions for the period ended 12/31/03 are:

Ordinary income	\$6,574
Long-term capital gains	\$-

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Schwab Retirement Money Fund[®]

Financial Statements

Financial Highlights

	1/1/04– 6/30/04*	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.01	0.04	0.06	0.05
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.01)	(0.04)	(0.06)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.23 ²	0.58	1.30	3.75	5.90	4.68
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.66 ³	0.66	0.68	0.70	0.72 ⁴	0.72
Gross operating expenses	0.66 ³	0.66	0.68	0.70	0.72	0.74
Net investment income	0.47 ³	0.58	1.28	3.61	5.77	4.62
Net assets, end of period (\$ x 1,000,000)	567	578	566	515	399	322

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratio of net operating expenses would have been 0.71% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of June 30, 2004; unaudited

This section shows all the securities in the fund's portfolio and their value, as of the report date.

We use the symbols below to designate certain characteristics:

- ◆ Asset-backed security
- ✦ Credit-enhanced security
- Illiquid restricted security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category		Cost (\$x1,000)	Value (\$x1,000)
78.4%	Fixed-Rate Obligations	444,254	444,254
1.4%	U.S. Government Securities	8,000	8,000
14.5%	Variable-Rate Obligations	82,297	82,297
7.2%	Other Investments	40,964	40,964
101.5%	Total Investments	575,515	575,515
(1.5)%	Other Assets and Liabilities		(8,702)
100.0%	Total Net Assets		566,813

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
-------------------------------	-----------------------------	-----------------------

Fixed-Rate Obligations 78.4% of net assets**Commercial Paper & Other Corporate Obligations** 44.0%**AB Spintab**

1.06%, 07/02/04	2,000	2,000
1.04%, 07/07/04	1,000	1,000
1.11%, 07/20/04	1,000	999

Alliance & Leicester, PLC, Section 4(2) / 144A

1.09%, 07/22/04	2,000	1,999
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◆+ Alpine Securitization Corp., Section 4(2) / 144A

1.20%, 08/02/04	3,000	2,997
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◆+ ASAP Funding, Ltd., Section 4(2) / 144A

1.11%, 07/01/04	1,000	1,000
1.15%, 07/21/04	2,015	2,014
1.54%, 09/21/04	1,000	996

◆+ Atlantic Asset Securitization Corp.,**Section 4(2) / 144A**

1.50%, 09/20/04	2,000	1,993
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◆ Atlantis One Funding Corp., Section 4(2) / 144A

1.05%, 07/07/04	4,500	4,499
1.14%, 08/11/04	3,940	3,935
1.22%, 08/17/04	2,000	1,997
1.08%, 09/22/04	3,712	3,703

Bank of America Corp.

1.06%, 07/08/04	9,000	8,998
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Bank of Ireland, Section 4(2) / 144A

1.26%, 08/10/04	3,000	2,996
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+ Barclays U.S. Funding Corp.

1.54%, 09/27/04	1,900	1,893
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◆+ Barton Capital Corp., Section 4(2) / 144A

1.11%, 07/20/04	1,714	1,713
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Bear Stearns Companies, Inc.

1.04%, 07/09/04	6,000	5,999
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◆+ Beta Finance, Inc., Section 3c7 / 144A

1.05%, 07/01/04	1,000	1,000
1.10%, 07/20/04	1,000	999
1.50%, 09/20/04	1,000	997

◆ CC (USA), Inc., Section 3c7 / 144A

1.05%, 07/02/04	2,000	2,000
1.52%, 09/27/04	1,000	996

+ CDC Commercial Paper Corp., Section 4(2) / 144A

1.52%, 09/22/04	2,000	1,993
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Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Citicorp			General Electric Capital Corp.		
1.15%, 07/14/04	5,000	4,998	1.10%, 07/16/04	8,000	7,996
1.34%, 08/03/04	2,000	1,998	1.05%, 07/21/04	3,000	2,998
Citigroup Global Markets Holdings, Inc.			1.04%, 07/22/04	1,000	999
1.04%, 07/09/04	5,000	4,999	1.22%, 08/05/04	7,000	6,992
1.09%, 07/20/04	4,000	3,998	General Electric Capital Services		
1.10%, 07/27/04	2,000	1,998	1.13%, 07/15/04	1,000	1,000
◆◆ Concord Minutemen Capital Co., Section 3c7 / 144A			◆◆ Giro Funding U.S. Corp., Section 4(2) / 144A		
Series A			1.09%, 07/08/04	6,000	5,999
1.10%, 07/09/04	1,000	1,000	◆◆ Greyhawk Funding, L.L.C., Section 4(2) / 144A		
1.11%, 08/10/04	1,000	999	1.10%, 07/14/04	2,000	1,999
1.20%, 08/17/04	3,000	2,995	1.54%, 09/27/04	4,000	3,985
1.51%, 09/22/04	1,000	997	◆◆ Hatteras Funding Corp., Section 4(2) / 144A		
Class C Note			1.14%, 07/23/04	1,169	1,168
1.27%, 07/19/04	2,168	2,167	◆ HBOS Treasury Services, PLC		
◆◆ Crown Point Capital Co., L.L.C., Section 4(2) / 144A			1.04%, 07/08/04	1,000	1,000
1.11%, 07/06/04	1,000	1,000	1.10%, 08/31/04	1,000	998
1.07%, 07/16/04	7,000	6,997	HSH Nordbank, AG Section 4(2) / 144A		
◆ Dakota CP Notes of Citibank Credit Card Issuance			1.10%, 07/19/04	2,000	1,999
Trust, Section 4(2) / 144A			◆ ING (U.S.) Funding, L.L.C.		
1.11%, 07/15/04	1,000	1,000	1.11%, 09/01/04	2,000	1,996
1.16%, 07/15/04	2,000	1,999	Irish Life & Permanent, PLC, Section 4(2) / 144A		
DnB NOR Bank ASA			1.14%, 07/15/04	1,000	1,000
1.04%, 07/08/04	4,000	3,999	1.20%, 08/11/04	1,200	1,198
◆ Dorada Finance, Inc., Section 3c7 / 144A			◆◆ Jupiter Securitization Corp., Section 4(2) / 144A		
1.05%, 07/15/04	1,000	1,000	1.06%, 07/01/04	5,000	5,000
◆◆ Edison Asset Securitization Corp., L.L.C.,			◆ KBC Financial Products International, Ltd.,		
Section 4(2) / 144A			Section 4(2) / 144A		
1.05%, 07/01/04	3,000	3,000	1.31%, 09/07/04	1,500	1,496
1.05%, 07/06/04	1,940	1,940	◆◆ Lexington Parker Capital Co., L.L.C.,		
1.04%, 07/08/04	1,000	1,000	Section 4(2) / 144A		
1.13%, 07/22/04	4,000	3,997	1.11%, 07/22/04	1,500	1,499
◆◆ Eiffel Funding, L.L.C., Section 4(2) / 144A			1.11%, 09/01/04	4,000	3,992
1.18%, 08/02/04	1,000	999	1.50%, 11/09/04	3,000	2,984
1.30%, 08/02/04	1,000	999	◆◆ Links Finance, L.L.C., Section 3c7 / 144A		
◆◆ Fairway Finance Co., L.L.C., Section 4(2) / 144A			1.10%, 08/19/04	1,000	998
1.15%, 07/13/04	2,000	1,999	◆ Mane Funding Corp., Section 4(2) / 144A		
1.54%, 09/23/04	3,000	2,989	1.09%, 07/12/04	1,000	1,000
◆◆ Falcon Asset Securitization Corp., Section 4(2) / 144A			1.22%, 08/19/04	3,000	2,995
1.13%, 07/14/04	4,000	3,998	◆◆ Mont Blanc Capital Corp., Section 4(2) / 144A		
◆ Galaxy Funding, Inc., Section 4(2) / 144A			1.10%, 07/14/04	3,132	3,131
1.25%, 07/27/04	2,000	1,998	Morgan Stanley		
1.22%, 08/17/04	2,000	1,997	1.14%, 07/06/04	4,000	3,999
1.25%, 08/18/04	2,000	1,997			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Nationwide Building Society			Certificates of Deposit 31.6%		
1.09%, 07/15/04	2,000	1,999	ABN-AMRO Bank, NV		
♦ NBNZ International Ltd.			1.09%, 09/07/04	2,000	2,000
1.13%, 07/12/04	4,000	3,999	Alliance & Leicester, PLC		
1.59%, 10/01/04	1,280	1,275	1.09%, 08/24/04	3,000	3,000
♦ Newcastle Certificates Program, Section 4(2) / 144A			Banco Bilbao Vizcaya Argentaria S.A.		
Series 2000A			1.82%, 12/31/04	5,000	5,000
1.34%, 08/16/04	4,000	3,993	Banco Santander Central Hispano S.A.		
♦♦ Nieuw Amsterdam Receivables Corp.			1.53%, 09/28/04	1,000	1,000
Section 4(2) / 144A			Barclays Bank, PLC		
1.15%, 07/23/04	1,297	1,296	1.18%, 08/13/04	4,000	4,000
1.51%, 09/20/04	1,000	997	Bayerische Landesbank Girozentrale		
♦♦ Old Line Funding, L.L.C., Section 4(2) / 144A			1.71%, 05/23/05	1,000	1,000
1.14%, 07/12/04	4,000	3,999	BNP Paribas		
1.50%, 09/20/04	1,000	997	1.10%, 07/23/04	9,000	9,000
♦♦ Receivables Capital Corp., Section 4(2) / 144A			1.05%, 08/03/04	3,000	3,000
1.13%, 07/13/04	2,010	2,009	1.50%, 05/06/05	2,000	2,000
♦ Santander Central Hispano Finance (Delaware), Inc.			Citibank, N.A.		
1.11%, 07/23/04	4,000	3,997	1.22%, 08/23/04	5,000	5,000
♦♦ Scaldis Capital Ltd., Section 4(2) / 144A			1.23%, 08/25/04	14,000	14,000
1.20%, 08/16/04	3,000	2,995	1.49%, 09/24/04	5,000	5,000
1.22%, 08/20/04	4,000	3,993	Credit Suisse First Boston		
1.51%, 09/13/04	1,000	997	1.06%, 08/04/04	3,000	3,000
1.10%, 09/27/04	3,000	2,992	DePfa Bank, PLC		
♦♦ Sigma Finance, Inc., Section 3c7 / 144A			1.13%, 09/07/04	2,000	2,000
1.05%, 07/26/04	1,000	999	Deutsche Bank, AG		
1.52%, 09/27/04	2,000	1,993	1.40%, 09/03/04	7,000	7,000
1.54%, 09/27/04	1,000	996	1.41%, 10/15/04	7,000	7,000
♦♦ Thunder Bay Funding, L.L.C., Section 4(2) / 144A			1.60%, 05/20/05	2,000	2,000
1.10%, 07/06/04	1,102	1,102	Dexia Bank Belgium		
1.50%, 09/20/04	2,000	1,993	1.50%, 05/04/05	1,000	1,000
♦♦ Ticonderoga Funding, L.L.C., Section 4(2) / 144A			DnB NOR Bank ASA		
1.12%, 07/12/04	3,000	2,999	1.10%, 08/17/04	2,000	2,000
♦ UBS Finance (Delaware), Inc.			1.10%, 09/08/04	3,000	3,000
1.51%, 09/13/04	1,200	1,196	ForeningsSparbanken AB (Swedbank)		
♦ White Pine Finance, L.L.C., Section 3c7 / 144A			1.22%, 08/04/04	3,000	3,000
1.23%, 08/23/04	1,000	998	♦ HBOS Treasury Services, PLC		
1.27%, 09/01/04	3,000	2,993	1.10%, 07/23/04	3,000	3,000
♦♦ Yorktown Capital, L.L.C., Section 4(2) / 144A			1.42%, 08/31/04	1,000	1,000
1.49%, 09/14/04	2,061	2,055	1.50%, 09/24/04	2,000	2,000
		249,056	HSH Nordbank, AG		
			1.42%, 09/07/04	1,000	1,000
			2.12%, 06/15/05	2,000	1,999

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
ING Bank, NV		
1.07%, 07/01/04	2,000	2,000
KBC Bank, NV		
1.33%, 09/15/04	2,000	2,000
Landesbank Hessen-Thuringen Girozentrale		
1.10%, 10/06/04	2,000	2,000
1.51%, 11/19/04	3,000	3,000
Lloyds TSB Bank, PLC		
1.50%, 09/27/04	5,000	5,000
National Australia Bank, Ltd.		
1.10%, 07/20/04	8,000	8,000
Nationwide Building Society		
1.50%, 09/24/04	2,000	2,000
Norddeutsche Landesbank Girozentrale		
1.51%, 05/13/05	1,000	1,000
1.60%, 05/20/05	2,000	2,000
Nordea Bank Finland, PLC		
1.04%, 07/26/04	2,000	2,000
1.38%, 09/14/04	8,000	8,000
Royal Bank of Scotland, PLC		
1.75%, 05/27/05	2,000	2,000
2.17%, 07/01/05	2,000	1,999
San Paolo IMI SpA		
1.11%, 09/08/04	5,000	5,000
Societe Generale		
1.38%, 09/14/04	5,000	5,000
1.09%, 10/05/04	5,000	5,000
Svenska Handelsbanken AB		
1.10%, 07/20/04	1,200	1,200
UBS, AG		
1.32%, 08/04/04	1,000	1,000
1.38%, 08/26/04	5,000	5,000
Unicredito Italiano SpA		
1.10%, 07/23/04	3,000	3,000
1.10%, 07/29/04	4,000	4,000
1.28%, 09/03/04	2,000	2,000
1.54%, 09/28/04	2,000	2,000
Washington Mutual Bank, FA		
1.10%, 07/13/04	1,000	1,000
Wells Fargo Bank, N.A.		
1.10%, 07/09/04	4,000	4,000
1.18%, 07/28/04	1,000	1,000
WestLB AG		
1.11%, 07/14/04	1,000	1,000

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Wilmington Trust Co.		
1.13%, 07/07/04	5,000	5,000

179,198**Promissory Notes 1.6%**

• The Goldman Sachs Group, Inc.		
1.25%, 07/06/04	4,000	4,000
1.33%, 11/08/04	2,000	2,000
1.24%, 12/17/04	3,000	3,000

9,000**Bank Notes 1.2%**

Bank of America, N.A.		
1.04%, 07/20/04	3,000	3,000
Standard Federal Bank, N.A.		
1.09%, 07/09/04	1,000	1,000
1.09%, 08/19/04	3,000	3,000

7,000**U.S. Government Securities 1.4% of net assets****Coupon Notes 1.4%**

Fannie Mae		
1.43%, 02/09/05	2,000	2,000
1.35%, 04/28/05	2,000	2,000
1.50%, 05/09/05	2,000	2,000
1.61%, 05/13/05	2,000	2,000

8,000**Variable-Rate Obligations 14.5% of net assets**

Barclays Bank, PLC		
1.16%, 07/15/04	5,000	4,998
Bayerische Landesbank Girozentrale		
1.28%, 07/29/04	6,000	6,000
BNP Paribas		
1.20%, 07/22/04	5,000	4,998
• California Pollution Control Financing Authority		
Solid Waste Disposable RB (Burr Properties Project)		
Series 1998B		
1.81%, 07/07/04	1,760	1,760

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ Columbus, Georgia Development Authority		
Taxable RB (Jay Leasing, Inc. Project) Series 1997 1.40%, 07/07/04	1,890	1,890
+ Eagle County, Colorado Taxable Housing Facilities		
RB (BC Housing, L.L.C. Project) Series 1997B 1.30%, 07/07/04	1,500	1,500
Fannie Mae		
0.98%, 07/06/04	2,000	1,998
1.21%, 07/29/04	10,000	9,994
Federal Home Loan Bank		
1.05%, 07/06/04	3,000	2,998
Lloyds TSB Bank, PLC		
1.11%, 07/13/04	2,000	2,000
+ LP Pinewoods SPV		
1.30%, 07/07/04	15,000	15,000
Merrill Lynch & Co, Inc.		
1.06%, 07/01/04	5,000	5,000
Royal Bank of Canada		
1.05%, 07/06/04	2,000	2,000
Royal Bank of Scotland, PLC		
1.14%, 07/14/04	5,000	5,000
◆◆ Sigma Finance, Inc., Section 3c7 / 144A		
1.19%, 07/15/04	3,000	2,999
1.23%, 07/20/04	5,000	4,999
1.25%, 07/26/04	2,000	2,000
+ Trap Rock Industries, Inc.		
RB Series 1997 1.39%, 07/07/04	1,240	1,240
UBS, AG		
1.18%, 07/19/04	5,000	4,998
+ Village of Sturtevant, Wisconsin		
IDRB (Andis Co. Project) Series 1996B 1.45%, 07/07/04	925	925
		82,297

Security	Maturity Amount (\$ x 1,000)	Value (\$ x 1,000)
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Other Investments 7.2% of net assets**Repurchase Agreements 7.2%****Credit Suisse First Boston L.L.C.**

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$41,784 1.50%, issued 06/30/04, due 07/01/04	40,966	40,964
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End of investments.

**At June 30, 2004, portfolio holdings included
illiquid restricted securities as follows:**

Issuer Rate, Acquisition Date, Maturity Date	Face Amount (\$ x 1,000)	Cost/ Value (\$ x 1,000)
The Goldman Sachs Group, Inc.		
1.25%, 01/05/04, 07/06/04	4,000	4,000
1.33%, 02/11/04, 11/08/04	2,000	2,000
1.24%, 03/23/04, 12/17/04	3,000	3,000
		9,000

Statement of

Assets and Liabilities

As of June 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$575,515
Receivables:	
Fund shares sold	574
Interest	801
Prepaid expenses	+ 32
Total assets	576,922

Liabilities

Payables:	
Fund shares redeemed	9,924
Dividends to shareholders	128
Investment adviser and administrator fees	6
Transfer agent and shareholder service fees	4
Accrued expenses	+ 47
Total liabilities	10,109

Net Assets

Total assets	576,922
Total liabilities	- 10,109
Net assets	\$566,813

Net Assets by Source

Capital received from investors	566,814
Net realized capital losses	(1)

Net Asset Value (NAV)

Net Assets	÷	Shares Outstanding	=	NAV
\$566,813		566,871		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost of the fund's securities was \$575,515. Includes illiquid restricted securities worth \$9,000, or 1.59% of the fund's total net assets. Also, includes other restricted but deemed liquid securities comprised of 144A, section 4(2) and 3c7 securities, worth \$175,731 or 31.00% of the fund's total net assets.

Federal Tax Data**Cost basis of portfolio** \$575,515**As of December 31, 2003:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2004	\$1

Statement of

Operations

For January 1, 2004 through June 30, 2004; unaudited. All numbers x 1,000.

Investment Income

Interest	\$3,177
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Expenses

Investment adviser and administrator fees	1,071	
Transfer agent and shareholder service fees	705	
Trustees' fees	14	
Custodian and portfolio accounting fees	36	
Professional fees	9	
Registration fees	14	
Shareholder reports	9	
Other expenses	+	6
Total expenses		1,864

Increase in Net Assets from Operations

Total investment income	3,177
Total expenses	- 1,864
Net investment income	1,313
Increase in net assets from operations	\$1,313

Unless stated, all numbers x 1,000.

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.05% of the fund's assets; for shareholder services, 0.20% of the fund's assets. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.
Figures for the current period are unaudited.

Operations

	1/1/04-6/30/04	1/1/03-12/31/03
Net investment income	\$1,313	\$3,439
Increase in net assets from operations	1,313	3,439

Distributions Paid

Dividends from net investment income	1,313	3,439
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Transactions in Fund Shares

Shares sold	213,628	449,661
Shares reinvested	1,171	3,396
Shares redeemed	+ (225,654)	(441,321)
Net transactions in fund shares	(10,855)	11,736

Net Assets

Beginning of period	577,668	565,932
Total increase or decrease	+ (10,855)	11,736
End of period	\$566,813	\$577,668

Unless stated, all numbers x 1,000.

The tax-basis components of distributions for the period ended 12/31/03 are:

Ordinary income	\$3,439
Long-term capital gains	\$—

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Notes unaudited

Business Structure of the Funds

Each of the funds discussed in this report is a series of The Charles Schwab Family of Funds, a no-load, open-end management investment company. The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the funds in this report and their trust.

The funds offer one share class. For these funds, shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

Fund Operations

Most of the funds' investments are described in the fund-by-fund sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the funds' business operations also are described here.

The funds declare dividends every day they are open for business. These dividends, which are equal to a fund's net investment income for that day, are paid out to shareholders once a month. The funds may make distributions from any net realized capital gains once a year.

The funds may buy securities on a delayed-delivery basis. In these transactions, a fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, a fund could end up paying more for the security than its market value at the time of settlement. The funds have set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

The funds may enter into repurchase agreements. In a repurchase agreement, a fund buys a security from another party (usually a financial institution) with the agreement that it be sold back in the future. The date, price and other conditions are all specified when the agreement is created. Any repurchase agreements with due dates later than seven days from issue dates may be subject to seven day put features for liquidity purposes.

The funds' repurchase agreements will be fully collateralized by U.S. government securities. All collateral is held by the funds' custodian (or, with tri-party agreements, the agent's bank) and is monitored daily to ensure that its market value is at least equal to the repurchase price under the agreement.

The funds pay fees to affiliates of the investment adviser for various services. Through their trust, the funds have agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The funds discussed in this report are highlighted.

The Charles Schwab Family of Funds

organized October 20, 1989

- Schwab Money Market Fund
- Schwab Government Money Fund
- Schwab U.S. Treasury Money Fund
- Schwab Value Advantage Money Fund
- Schwab Municipal Money Fund
- Schwab California Municipal Money Fund
- Schwab New York Municipal Money Fund
- Schwab New Jersey Municipal Money Fund
- Schwab Pennsylvania Municipal Money Fund
- Schwab Florida Municipal Money Fund
- Schwab Massachusetts Municipal Money Fund
- Schwab Retirement Advantage Money Fund**
- Schwab Retirement Money Fund**
- Schwab Government Cash Reserves

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the funds that may limit the total expenses charged. The rates and limitations for these fees vary from fund to fund, and are described in each fund's Statement of Operations.

The funds may engage in certain transactions involving affiliates. The funds may make direct transactions with certain other SchwabFunds when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

Pursuant to an exemptive order issued by the SEC, the funds may enter into interfund borrowing and lending transactions within the SchwabFunds. All loans are for temporary or emergency purposes only. The interest rate charged on the loan is the average of the overnight repurchase agreement rate and the short-term bank loan rate. The interfund lending facility is subject to the oversight and periodic review of the Board of Trustees of the SchwabFunds.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund's Statement of Operations.

The funds may borrow money from banks and custodians. The funds may obtain temporary bank loans through the trust to which they belong, to use for meeting shareholder redemptions or for extraordinary or emergency purposes. The trusts have custodian overdraft facilities and line of credit arrangements of \$150 million and \$100 million with PNC Bank, N.A. and Bank of America, N.A., respectively. The funds pay interest on the amounts they borrow at rates that are negotiated periodically.

The funds intend to meet federal income and excise tax requirements for regulated investment companies. Accordingly, the funds distribute substantially all of their net investment income and net realized capital gains (if any) to their respective shareholders each year. As long as a fund meets the tax requirements, it is not required to pay federal income tax.

Under the funds' organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the funds. In addition, in the normal course of business the funds enter into contracts with their vendors and others that provide general indemnifications. The funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the funds. However, based on experience, the funds expect the risk of loss to be remote.

Accounting Policies

The following are the main policies the funds use in preparing their financial statements.

The funds value their securities at amortized cost, which approximates market value.

Security transactions are recorded as of the date the order to buy or sell the security is executed.

Interest income is recorded as it accrues. If a fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security's call date and price, rather than the maturity date and price.

Realized gains and losses from security transactions are based on the identified costs of the securities involved.

Expenses that are specific to a fund or a class are charged directly to that fund or class. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their average daily net assets.

Each fund maintains its own account for purposes of holding assets and accounting, and is considered a separate entity for tax purposes. Within its account, each fund also keeps certain assets in segregated accounts, as may be required by securities law.

The accounting policies described above conform with accounting principles generally accepted in the United States of America. Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

Fund Trustees unaudited

A fund’s Board of Trustees is responsible for protecting the interests of that fund’s shareholders. The tables below give information about the people who serve as trustees and officers for the SchwabFunds®, including the funds covered in this report. Trustees remain in office until they resign, retire or are removed by shareholder vote.¹

Under the Investment Company Act of 1940, any officer, director, or employee of Schwab or CSIM is considered an “interested person,” meaning that he or she is considered to have a business interest in Schwab or CSIM. These individuals are listed as “interested trustees.” The “independent trustees” are individuals who, under the 1940 Act, are not considered to have a business interest in Schwab or CSIM.

Each of the SchwabFunds® (of which there were 49 as of 6/30/04) belongs to one of these trusts: The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust or Schwab Annuity Portfolios. Currently all these trusts have the same trustees and officers. The address for all trustees and officers is 101 Montgomery Street, San Francisco, CA 94104. You can find more information about the trustees and officers in the Statement of Additional Information, which is available free by calling 1-800-435-4000.

Individuals Who Are Interested Trustees and Officers of the Trust

Name and Birthdate	Trust Position(s); Trustee Since	Main Occupations and Other Directorships and Affiliations
Charles R. Schwab ² 7/29/37	Chair, Trustee: Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, Director, The Charles Schwab Corp., Charles Schwab & Co., Inc. Charles Schwab Investment Management, Inc., Charles Schwab Holdings (UK); CEO, Director, Charles Schwab Holdings, Inc.; Chair, CEO Schwab (SIS) Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, Siebel Systems (software), Xsign, Inc. (electronic payment systems); Trustee, Stanford University. <i>Until 5/04:</i> Director, The Gap, Inc. (clothing retailer). <i>Until 2003:</i> Co-CEO, The Charles Schwab Corp. <i>Until 2002:</i> Director, Audiobase, Inc. (Internet audio solutions). <i>Until 5/02:</i> Director, Vodaphone AirTouch PLC (telecommunications). <i>Until 7/01:</i> Director, The Charles Schwab Trust Co.; TrustMark, Inc.

¹ The SchwabFunds retirement policy requires that independent trustees elected after January 1, 2000 retire at age 72 or after twenty years of service as a trustee, whichever comes first. Independent trustees elected prior to January 1, 2000 will retire on the following schedule: Messrs. Holmes and Dorward will retire on December 31, 2007, and Messrs. Stephens and Wilsey will retire on December 31, 2010.

² In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Mr. Schwab also own stock of The Charles Schwab Corporation.

Individuals Who Are Interested Trustees but Not Officers of the Trust

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Dawn G. Lepore ¹ 3/21/54	2003 (all trusts).	Vice Chair, The Charles Schwab Corp.; <i>Until 10/01</i> : CIO, The Charles Schwab Corporation. <i>Until 1999</i> : EVP, The Charles Schwab Corporation. Director, Wal-Mart Stores, eBay, Inc.

Individuals Who Are Officers of the Trust but Not Trustees

Name and Birthdate	Trust Office(s) Held	Main Occupations and Other Directorships and Affiliations
Randall W. Merk 7/25/54	President, CEO (all trusts).	President, CEO, Charles Schwab Investment Management, Inc.; EVP, Charles Schwab & Co., Inc.; Director, Charles Schwab Worldwide Funds PLC, Charles Schwab Asset Management (Ireland) Ltd. <i>Until 9/02</i> : President, CIO, American Century Investment Management; Director, American Century Cos., Inc. <i>Until 6/01</i> : CIO, Fixed Income, American Century Cos., Inc. <i>Until 1997</i> : SVP, Director, Fixed Income and Quantitative Equity Portfolio Management, Twentieth Century Investors, Inc.
Tai-Chin Tung 3/7/51	Treasurer, Principal Financial Officer (all trusts).	SVP, CFO, Charles Schwab Investment Management, Inc.; SVP, The Charles Schwab Trust Co.; Director, Charles Schwab Asset Management (Ireland) Ltd., Charles Schwab Worldwide Funds PLC.
Stephen B. Ward 4/5/55	SVP, Chief Investment Officer (all trusts).	SVP, Chief Investment Officer, Director, Charles Schwab Investment Management, Inc.; CIO, The Charles Schwab Trust Co.
Koji E. Felton 3/13/61	Secretary (all trusts).	SVP, Chief Counsel, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. <i>Until 6/98</i> : Branch Chief in Enforcement, U.S. Securities and Exchange Commission, San Francisco.

¹ In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Mr. Schwab also own stock of The Charles Schwab Corporation.

Individuals Who Are Independent Trustees

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Mariann Byerwalter 8/13/60	2000 (all trusts).	Chair, JDN Corp. Advisory LLC; Trustee, Stanford University, America First Cos., (venture capital/fund management), Redwood Trust, Inc. (mortgage finance), Stanford Hospitals and Clinics, SRI International (research), PMI Group, Inc. (mortgage insurance), Lucile Packard Children's Hospital, Laudus Trust, Laudus Variable Insurance Trust. <i>2001</i> : Special Advisor to the President, Stanford University. <i>Until 2002</i> : Director, LookSmart, Ltd. (Internet infrastructure). <i>Until 2001</i> : VP, Business Affairs, CFO, Stanford University.
Donald F. Dorward 9/23/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	CEO, Dorward & Associates (corporate management, marketing and communications consulting). <i>Until 1999</i> : EVP, Managing Director, Grey Advertising.
William A. Hasler 11/22/41	2000 (all trusts).	Co-CEO, Aphton Corp. (bio-pharmaceuticals). Trustee, Solectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Corp. (network equipment); Public Governor, Laudus Trust, Laudus Variable Insurance Trust; Member, executive committee, Pacific Stock & Options Exchange. <i>Until 2003</i> : Trustee, Tenera, Inc. (services and software). <i>Until 1998</i> : Dean, Haas School of Business, University of California, Berkeley.
Robert G. Holmes 5/15/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Director, Semloh Financial, Inc. (international financial services and investment advice).
Gerald B. Smith 9/28/50	2000 (all trusts).	Chair, CEO, Founder, Smith Graham & Co. (investment advisors); Trustee, Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products, tools and hardware); Member, audit committee, Northern Border Partners, L.P. (energy). <i>Until 2002</i> : Director, Pennzoil-Quaker State Co. (oil and gas).
Donald R. Stephens 6/28/38	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Managing Partner, D.R. Stephens & Co. (investments). <i>Until 1996</i> : Chair, CEO, North American Trust (real estate investment trust).
Michael W. Wilsey 8/18/43	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Wilsey Bennett, Inc. (transportation, real estate and investments).

Glossary

agency discount notes Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

Alternative Minimum Tax (AMT) A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

asset-backed securities Bonds or other debt securities that represent ownership in a pool of debt obligations such as credit card debt.

bond A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed income securities” or “debt securities.”

An individual bond is subject to the credit risk of the issuer. Changes in interest rates can affect a bond's market value prior to call or maturity. There is no guarantee that a bond's yield to call or maturity will provide a positive return over the rate of inflation.

bond fund A bond fund is subject to the same credit, interest rate, and inflation risks as bonds. In addition, a bond fund incurs ongoing fees and expenses. A bond fund's net asset value will fluctuate with the price of the underlying bonds and the portfolio turnover activity; return of principal is not guaranteed.

bond anticipation notes Obligations sold by a municipality on an interim basis in anticipation of the municipality's issuance of a longer-term bond in the future.

capital gain, capital loss The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

commercial paper Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but

sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

credit-enhanced securities Securities that are backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security's value, are designed to help lower the risk of default on a security and may also make the security more liquid.

credit quality The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

credit ratings Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

credit risk The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

ACES	Adjustable convertible extendable security
BAN	Bond anticipation note
COP	Certificate of participation
GAN	Grant anticipation note
GO	General obligation
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Board
IDRB	Industrial Development Revenue Bond
M/F	Multi-family
RAN	Revenue anticipation note
RB	Revenue bond
S/F	Single-family
TAN	Tax anticipation note
TECP	Tax-exempt commercial paper
TRAN	Tax and revenue anticipation note
VRD	Variable-rate demand

dollar-weighted average maturity (DWAM) See weighted average maturity.

effective yield A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

expense ratio The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

face value The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

illiquid securities Securities are generally considered illiquid if they cannot be disposed of promptly (typically within seven days) and in the ordinary course of business at approximately the amount at which a fund has valued the instruments.

interest Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

liquidity-enhanced security A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

maturity The date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

money market securities High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

muni, municipal bonds, municipal securities Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

net asset value per share (NAV) The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

outstanding shares, shares outstanding When speaking of a company or mutual fund, indicates all shares currently held by investors.

restricted securities Securities that are subject to contractual restrictions on resale and may be sold only to "qualified institutional buyers" under Securities Act Rule 144A. These securities are often purchased in private placement transactions.

revenue anticipation notes Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

section 3c7 securities Section 3c7 of the Investment Company Act of 1940 (the "1940 Act") exempts certain issuers from many regulatory requirements applicable to investment companies under the 1940 Act. An issuer whose outstanding securities are exclusively owned by "qualified purchasers" and who is not making or proposing to make a public offering of the securities may qualify for this exemption.

section 4(2)/144A securities Securities exempt from registration under Section 4(2) of the Securities Act of 1933. These securities may be sold only to qualified institutional buyers under Securities Act Rule 144A.

taxable-equivalent yield The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ($4.5\% \div [1 - 0.25\%] = 6.0\%$).

total return The percentage that an investor would have earned or lost on an investment in the fund assuming dividends and distributions were reinvested.

tax anticipation notes Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

Tier 1, Tier 2 Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

weighted average maturity For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

yield The income paid out by an investment, expressed as a percentage of the investment's market value.

Notes

Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a clearly defined investment approach and using disciplined management strategies. The list at right shows all currently available SchwabFunds®.

Whether you're an experienced investor or just starting out, SchwabFunds® can help you achieve your financial goals. An investor should consider a fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information can be found in the fund's prospectus. Please call 1-800-435-4000 for a prospectus and brochure for any SchwabFund®. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

Methods for Placing Orders

The following information outlines how Schwab investors can place orders. If you are investing through a third-party investment provider, methods for placing orders may be different.

Internet¹

www.schwab.com

Schwab by Phone™²

Use our automated voice service or speak to a representative. Call **1-800-435-4000**, day or night (for TDD service, call **1-800-345-2550**).

TeleBroker®

Automated touch-tone phone service at **1-800-272-4922**.

Mail

Write to SchwabFunds® at:

P.O. Box 3812

Englewood, CO 80155-3812

When selling or exchanging shares, be sure to include the signatures of at least one of the persons whose name is on the account.

Proxy Voting Policies and Procedures

A description of the proxy voting policies and procedures used to determine how to vote proxies on behalf of the funds is available without charge, upon request, by visiting Schwab's web site at www.schwab.com/schwabfunds, the SEC's web site at <http://www.sec.gov>, or by contacting SchwabFunds at 1-800-435-4000.

The SchwabFunds Family®

Stock Funds

Schwab S&P 500 Fund

Schwab 1000 Fund®

Schwab Small-Cap Index Fund®

Schwab Total Stock Market Index Fund®

Schwab International Index Fund®

Schwab Core Equity Fund™

Schwab Dividend Equity Fund™

Schwab Small-Cap Equity Fund™

Schwab Hedged Equity Fund™

Schwab Focus Funds

Communications Focus Fund

Financial Services Focus Fund

Health Care Focus Fund

Technology Focus Fund

Schwab MarketMasters Funds®

Schwab U.S. MarketMasters Fund™

Schwab Small-Cap MarketMasters Fund™

Schwab International MarketMasters Fund™

Schwab Balanced MarketMasters Fund™

Asset Allocation Funds

Schwab MarketTrack Portfolios®

Schwab MarketTrack All Equity Portfolio™

Schwab MarketTrack Growth Portfolio™

Schwab MarketTrack Balanced Portfolio™

Schwab MarketTrack Conservative Portfolio™

Bond Funds

Schwab YieldPlus Fund®

Schwab Short-Term Bond Market Fund™

Schwab Total Bond Market Fund™

Schwab GNMA Fund™

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Investment Adviser

Charles Schwab Investment Management, Inc.
101 Montgomery Street, San Francisco, CA 94104

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SchwabFunds®
P.O. Box 3812, Englewood, CO 80155-3812

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